

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 29, 2025

NEW ISSUE—FULL BOOK ENTRY

RATINGS:
S&P: “AA” (Assured Guaranty-Insured)
S&P: “AA-” (Underlying)
See “RATINGS” herein.

In the opinion of Stradling Yocca Carlson & Rauth, LLP, Newport Beach, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) with respect to the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted that with respect to applicable corporations as defined in section 59(k) of the Internal Revenue Code of 1986, as amended, interest (and original issue discount) with respect to the Certificates might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations. In the further opinion of Special Counsel, interest (and original issue discount) with respect to the Certificates is exempt from State of California personal income tax. See “TAX MATTERS” herein.



\$36,365,000*
Certificates of Participation
(2025 Financing Project)
Evidencing Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
(Orange and Los Angeles Counties, California)
as the Rental for Certain Property Pursuant to
a Lease Agreement with the Public Property
Financing Corporation of California

Dated: Date of Delivery

Due: September 1, as shown on the inside cover

The \$36,365,000* Certificates of Participation (2025 Financing Project) (the “Certificates”), are being executed and delivered to provide funds to (a) (i) finance the construction and improvement of various school facilities of the Fullerton Joint Union High School District (the “District”), and (ii) refund, on a current basis, the District’s outstanding Certificates of Participation (2015 Financing Project), which were delivered to refinance certificates of participation delivered in 2007 to finance the construction and improvement of various school facilities, (b) purchase a reserve fund municipal bond insurance policy in lieu of cash funding a reserve fund for the Certificates; and (c) pay the costs of the financing. See “FINANCING PLAN” herein. The Certificates will evidence direct, undivided fractional interests of the owners thereof in Lease Payments (as defined herein) to be made by the District to the Public Property Financing Corporation of California (the “Corporation”) for the use and occupancy of the Property (as defined herein) under and pursuant to a Lease Agreement, dated as of June 1, 2025, by and between the Corporation and the District (the “Lease Agreement”). The Corporation will assign its right to receive Lease Payments from the District under the Lease Agreement and its right to enforce payment of the Lease Payments when due or otherwise protect its interest in the event of a default by the District thereunder to U.S. Bank Trust Company, National Association, Los Angeles, California, as trustee (the “Trustee”), for the benefit of the registered owners of the Certificates.

The Certificates will be executed and delivered in book-entry form only, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (referred to herein as “DTC”). Purchasers of the Certificates (the “Beneficial Owners”) will not receive physical certificates representing their interests in the Certificates. Interest with respect to the Certificates accrues from their date of delivery, and is payable semiannually by check mailed on each March 1 and September 1, commencing September 1, 2025. The Certificates may be executed and delivered in denominations of \$5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates. (See “THE CERTIFICATES—Book-Entry-Only System” herein).

The Certificates are subject to redemption prior to maturity. See “THE CERTIFICATES—Redemption” herein.

The District will covenant in the Lease Agreement to make all Lease Payments due under the Lease Agreement, subject to abatement during any period in which by reason of damage or destruction of the Property, or by reason of eminent domain proceedings with respect to the Property, there is substantial interference with the use and occupancy by the District of the Property or any portion thereof. The District will covenant in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments.

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES A DEBT OR INDEBTEDNESS OF THE DISTRICT OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS OR RESTRICTION OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by **ASSURED GUARANTY INC.**

**ASSURED
GUARANTY**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

SEE THE INSIDE COVER

The cover page contains certain information for general reference only. It is *not* a summary of all the provisions of the Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The Certificates will be offered when, as and if delivered and received by the Underwriter subject to approval by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as Special Counsel. Certain matters will be passed upon for the District by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as Disclosure Counsel. Certain matters will be passed upon for the Underwriter by Kutak Rock LLP, Irvine, California. It is anticipated that the Certificates will be available for through the facilities of DTC on or about June 4, 2025.

STIFEL

Dated: April __, 2025

*Preliminary, subject to change.

\$36,365,000*
Certificates of Participation
(2025 Financing Project)
Evidencing Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
(Orange and Los Angeles Counties, California)
as the Rental for Certain Property Pursuant to
a Lease Agreement with the Public Property
Financing Corporation of California

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIP† NUMBERS*

\$ _____ **Serial Certificates**

CUSIP† Prefix: _____

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP†</u> <u>Suffix</u>
-------------------------------------------------------	-------------------------------------------------	----------------------------------------------	---------------------	---------------------	----------------------------------------------

\$ _____ % **Term Certificates maturing September 1, _____; Price: _____, to yield _____%; CUSIP† _____**

\$ _____ % **Term Certificates maturing September 1, _____; Price: _____, to yield _____%; CUSIP† _____**

*Preliminary, subject to change.

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For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the District with respect to the Certificates that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. 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 facts.

The information set forth herein has been obtained from the District and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the 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 Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease (each as defined herein), or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Director of Finance for further information. See "INTRODUCTION—Other Information."

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the District's forecasts in any way. Neither the District nor the Corporation is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

The execution, sale and delivery of the Certificates has not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

Assured Guaranty Inc. ("AG") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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 Certificates.

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FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

1051 West Bastanchury Road
Fullerton, California 92833
(714) 870-2800
<http://www.fjuhsd.org/>*

BOARD OF TRUSTEES

Vicki Calhoun, *President*
Marilyn Buchi, *Clerk*
Joanne Fawley, *Board Member*
Chester Jeng, *Board Member*
Lauren Klatzker, *Board Member*

DISTRICT ADMINISTRATION

Steve McLaughlin Ed.D., *Superintendent*
Ruben Hernandez, *Assistant Superintendent, Business Services*
Vincent Madsen, *Director of Facilities, Maintenance & Operations*
Rami Beshara, *Director of Fiscal Services*

PROFESSIONAL SERVICES

SPECIAL COUNSEL and DISCLOSURE COUNSEL
Stradling Yocca Carlson & Rauth LLP
Newport Beach, California

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

TRUSTEE AND ESCROW BANK
U.S. Bank Trust Company, National Association
Los Angeles, California

VERIFICATION AGENT
Causey Public Finance, LLC
Parker, Colorado

\$36,365,000*
CERTIFICATES OF PARTICIPATION
(2025 Financing Project)
Evidencing the Direct, Undivided Fractional Interests
of the Owners Thereof in Lease Payments to be Made by the
FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
(Orange and Los Angeles Counties, California),
As the Rental for Certain Property Pursuant to a
Lease Agreement with the
Public Property Financing Corporation of California

INTRODUCTION

This introduction does not purport to be complete, and reference is made to the body of this Official Statement, appendices and the documents referred to herein for more complete information with respect to matters concerning the captioned Certificates. Potential investors are encouraged to read this entire Official Statement. Capitalized terms used and not defined in this Official Statement shall have the meanings assigned to them in APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS.

General

This Official Statement, including the cover page, the inside cover page and appendices hereto, is provided to furnish information in connection with the execution, sale and delivery of \$36,365,000* Fullerton Joint Union High School District Certificates of Participation (2025 Financing Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2025 (the “Trust Agreement”), by and among the Fullerton Joint Union High School District, California (the “District”), the Public Property Financing Corporation of California (the “Corporation”) and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

The District

The District is located primarily in Orange County with a small portion in southeastern Los Angeles County (together 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 2023-24 fiscal year was 12,124.

The District is governed by a five-member Board of Trustees (the “Board of Trustees”), whose members are elected at large to four-year terms. The members of the District Board elect a president each year. The management and policies of the District are administered by a Superintendent appointed by the Board of Trustees who is responsible for day-to-day District operations as well as the supervision of the District’s other personnel.

* Preliminary, subject to change.

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, 2024, are included as APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024.

Purpose

The proceeds of the Certificates will provide funds to (a) (i) finance the construction and improvement of various school facilities of the District (the “2025 Project”), and (ii) refund, on a current basis, the District’s outstanding Certificates of Participation (2015 Financing Project), which were delivered to refinance certificates of participation delivered in 2007 to finance the construction and improvement of various school facilities (the “2015 Certificates”), (b) purchase a reserve fund municipal bond insurance policy in lieu of cash funding a reserve fund for the Certificates; and (c) pay the costs of the financing including the cost of purchasing a municipal bond insurance policy for the Certificates. See “FINANCING PLAN.”

The District will lease its Sonora High School (the “Property”) to the Corporation pursuant to a Site and Facility Lease, dated as of June 1, 2025 (the “Site and Facility Lease”). The Corporation will lease the Property back to the District pursuant to a Lease Agreement, dated as of June 1, 2025 (the “Lease Agreement”). The Certificates will be payable solely from and secured by the lease payments (the “Lease Payments”) to be made by the District to the Corporation pursuant to the Lease Agreement from its general fund. See “SOURCE OF PAYMENT FOR THE CERTIFICATES” and “THE PROPERTY.”

Interest with respect to the Certificates is payable on March 1 and September 1 of each year, commencing September 1, 2025. The Certificates will mature in the amounts and on the dates and be payable at the interest rates shown on the inside cover of this Official Statement. See “THE CERTIFICATES.”

The Certificates will be delivered in fully registered form only, in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”). DTC will act as the depository for the Certificates and all payments due with respect to the Certificates will be made to Cede & Co., DTC’s nominee. Ownership interests in the Certificates may be purchased only in book-entry form. See “THE CERTIFICATES—Book-Entry System” and APPENDIX F—DTC’S BOOK-ENTRY ONLY SYSTEM.

Source of Payment for the Certificates

The Certificates represent direct, undivided interests of the Owners thereof in the Lease Payments to be paid by the District to the Corporation pursuant to the Lease Agreement. The Lease Payments are payable by the District from its General Fund for the right to use and possess the Property. The Lease Payments are subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the District of the Property or any portion thereof. The District will covenant under the Lease Agreement to take such action as necessary to include the Lease Payments in its annual budget and to make all necessary appropriations therefor (subject to abatement under certain circumstances described in the Lease Agreement). Pursuant to an Assignment Agreement, dated as of June 1, 2025 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners of the Certificates, certain of its rights

under the Lease Agreement, including its right to receive Lease Payments from the District. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Lease Payments; Covenant to Appropriate and “RISK FACTORS.”

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES A DEBT OR INDEBTEDNESS OF THE DISTRICT OR THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS OR RESTRICTION OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Policy; Reserve Policy

The scheduled payment of the principal and interest with respect to all or a portion of the Certificates when due will be guaranteed under a municipal bond insurance policy (the “Policy”) to be issued by Assured Guaranty Inc. (“AG”) simultaneously with the delivery of the Certificates. See “MUNICIPAL BOND INSURANCE.”

In addition, AG has made a commitment to issue a municipal bond insurance policy for the Reserve Fund established for the Certificates (the “Reserve Policy”) in an amount equal to the Reserve Requirement. See “SOURCES OF PAYMENT FOR THE CERTIFICATES—Reserve Fund.”

Redemption

The Certificates are subject to optional and mandatory redemption. See “THE CERTIFICATES—Redemption.”

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants described herein, interest (and original issue discount) with respect to the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Special Counsel, interest (and original issue discount) with respect to the Certificates is exempt from State of California personal income tax. See the caption “TAX MATTERS” with respect to tax consequences relating to the Certificates, including with respect to the alternative minimum tax imposed on certain large corporations.

Continuing Disclosure

The District will covenant in a continuing disclosure certificate to prepare and deliver annual reports to the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system. See “CONTINUING DISCLOSURE” and APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Summaries of Documents

This Official Statement contains descriptions of the Certificates, the Trust Agreement, the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and various other agreements and documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally.

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 Certificates are available for inspection office of the Assistant Superintendent, Business 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 Certificates. 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 sources which are believed to be reliable. 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 Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

ESTIMATED SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of the proceeds from the sale of the Certificates and other moneys:

Sources

Par Amount of the Certificates

Plus: Original Issue Premium

Total Sources

Uses

Deposit to the Project Fund ⁽¹⁾

Deposit to Escrow Fund ⁽²⁾

Delivery Costs⁽³⁾

Total Uses

-
- (1) Amounts deposited in the Project Fund will be used to finance the cost of the Project. See “FINANCING PLAN—The 2025 Project.”
- (2) Amounts deposited in the Escrow Fund will be used to provide for the payment and refunding of the 2015 Certificates. See “FINANCING PLAN—Refunding of the 2015 Certificates.”
- (3) Delivery Costs include the Underwriter’s discount, fees and expenses of the municipal advisor, special counsel, disclosure counsel and the Trustee, printing expenses, rating fees, title insurance, the premiums for the Policy and the Reserve Policy and other costs.

FINANCING PLAN

The 2025 Project. A portion of the proceeds of the Certificates will be deposited in a project fund to be held by the Trustee and applied to finance the 2025 Project. See “ESTIMATED SOURCES AND USES OF FUNDS.” The 2025 Project includes, but is not limited to modernization and seismic updates to the District’s Troy High School.

Refunding of the 2015 Certificates. A portion of the proceeds of the Certificates will be held in a separate fund for the refunding of the 2015 Certificates (the “Escrow Fund”), established under an escrow agreement (the “Escrow Agreement”), by and between the District and U.S. Bank Trust Company, National Association, as escrow agent (the “Escrow Bank”). A portion of such amount will be invested in certain securities (the “Escrow Securities”) and the remaining amount will be held in cash, uninvested. See “ESTIMATED SOURCES AND USES OF FUNDS.” The maturing Escrow Securities, the investment earnings thereon and the uninvested cash in the Escrow Fund will be applied to pay the principal and interest due on the 2015 Certificates on September 1, 2025, and to redeem the 2015 Certificates in full on such date at a redemption price equal to 100% of the principal amount thereof.

The sufficiency of the moneys and Escrow Securities for such purpose will be verified by Causey Public Finance, LLC, Parker, Colorado, as. Verification agent (the “Verification Agent”). See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.” Assuming the accuracy of the Verification Agent’s computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the obligation of the District with respect to the 2015 Certificates will be defeased and discharged.

The Escrow Securities and the uninvested cash in the Escrow Fund will be held solely for the payment of the 2015 Certificates and will not be available to pay principal or interest with respect to the Certificates or any obligations other than the 2015 Certificates.

The 2015 Certificates to be refunded are as follows:

Maturity Date	Principal Amount	Interest Rate	CUSIP [†] Number
9/1/2025	\$ 905,000	5.000	359797 DK0
9/1/2026	950,000	5.000	359797 DL8
9/1/2027	1,000,000	5.000	359797 DM6
9/1/2028	1,050,000	5.000	359797 DN4
9/1/2029	1,105,000	5.000	359797 DP9
9/1/2030	1,150,000	3.500	359797 DQ7
9/1/2031	1,190,000	3.500	359797 DR5
9/1/2032	1,235,000	3.500	359797 DS3
9/1/2033	1,280,000	3.625	359797 DT1
9/1/2034	1,335,000	5.000	359797 DU8
9/1/2035	1,405,000	5.000	359797 DV6
9/1/2036	1,475,000	5.000	359797 DW4

THE PROPERTY

Pursuant to the Site and Facility Lease, the District will lease the Property to the Corporation. Pursuant to the Lease Agreement, the Corporation will, in turn, lease the Property back to the District. See APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Site and Facility Lease and APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement.

The Property consists of the District’s Sonora High School. The school, built in 1966, is located on the approximately 36.8 acre Site at 401 South Palm Street, La Habra California. There are 60 classrooms in one large main permanent building. The school includes regular and specialized classrooms, a multi-purpose room, a staff lounge, administrative offices, a library media center, a kitchen and auxiliary facilities. The current insured value of this main building, excluding the land value, is \$65,462,190.

For a description of certain terms of the Lease Agreement see “SOURCE OF PAYMENT FOR THE CERTIFICATES” and APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

Pursuant to the Lease Agreement, the District may substitute the Property, in whole or in part, with other properties, upon the satisfaction of certain conditions. For more information regarding the substitution of property see “SOURCE OF PAYMENT FOR THE CERTIFICATES—Substitution or Removal of Property” and APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

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The District has not granted any security interest in the Property for the benefit of the Certificates and there is no remedy of foreclosure on the Property upon the occurrence of an Event of Default under the Lease Agreement. For a discussion of remedies upon an Event of Default under the Lease Agreement, see “RISK FACTORS—Limitations on Remedies.”

DEBT SERVICE SCHEDULE

The following table shows the scheduled annual debt service for the Certificates:

Principal Payment Date (September 1)	Principal* ⁽¹⁾	Interest ⁽²⁾	Total
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
Total			

*Preliminary, subject to change.

- ⁽¹⁾ Principal payments with respect to the Certificates on each September 1 are derived from Lease Payments made by the District on the preceding August 15. Includes sinking fund payments.
- ⁽²⁾ Interest payments with respect to the Certificates on each March 1 and September 1 are derived from Lease Payments made by the District on the preceding February 15 and August 15, respectively.

THE CERTIFICATES

General

The Certificates will be executed and delivered in the aggregate principal amount and will mature on the dates and interest with respect thereto will be payable at the rates per annum as set forth on the cover page of this Official Statement. The Certificates will be delivered in the form of fully registered Certificates without coupons in the denomination of \$5,000 or any integral multiple thereof. Interest with respect to the

Certificates will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on March 1 and September 1 of each year, commencing September 1, 2025 (each an “Interest Payment Date”), until maturity or earlier redemption thereof. The Certificates will be initially executed, delivered and registered in the name of “Cede & Co.” as nominee of DTC and will be evidenced by one Certificate maturing on each of the maturity dates in a denomination corresponding to the total principal therein designated to mature on such date. See “THE CERTIFICATES—Book-Entry System” and APPENDIX F—DTC’S BOOK-ENTRY ONLY SYSTEM.

Interest with respect to the Certificates will be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of an Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is executed after a Record Date (i.e., the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day) and before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (iii) it is executed on or before August 15, 2025, in which event interest with respect thereto will be payable from its dated date; *provided, however*, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest represented by such Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Payment of defaulted interest shall be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than ten (10) days prior to such special record date.

Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Record Date or, upon written request filed with the Trustee prior to the Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

Redemption

Optional Redemption. The Certificates maturing on or before September 1, ____, are not subject to optional redemption. Certificates maturing on and after September 1, ____, are subject to redemption prior to their respective stated maturity dates, from the proceeds of optional prepayments of Lease Payments made by the District pursuant to the Lease Agreement, in whole or in part, on any date on or after September 1, ____, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, without a premium, from the proceeds of the optional prepayment of Lease Payments made by the District pursuant to the Lease Agreement.

Mandatory Sinking Fund Redemption. The Certificates maturing on September 1, ____, are subject to mandatory redemption in part on September 1, ____, and on each September 1 thereafter, to and including September 1, ____, from the principal components of scheduled Lease Payments required to be paid by the District pursuant to the Lease Agreement with respect to each such redemption date (subject to

abatement, as set forth in the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (September 1)	Principal Amount of Certificates to be Redeemed
_____	_____

_____†Maturity.

The Certificates maturing on September 1, _____, are subject to mandatory redemption in part on September 1, _____, and on each September 1 thereafter, to and including September 1, _____, from the principal components of scheduled Lease Payments required to be paid by the District pursuant to the Lease Agreement with respect to each such redemption date (subject to abatement, as set forth in the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (September 1)	Principal Amount of Certificates to be Redeemed
_____	_____

_____†Maturity.

Redemption from Net Proceeds of Insurance and Condemnation. The Certificates are subject to mandatory redemption in whole or in part on any date from the Net Proceeds of an insurance, title insurance, condemnation, or eminent domain award to the extent credited towards the prepayment of the Lease Payments by the District pursuant to the Lease Agreement, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Prepayment from Net Proceeds.”

Selection of Certificates for Redemption. Whenever provision is made for the redemption of Certificates and less than all Outstanding Certificates are called for redemption, the Trustee shall select Certificates for redemption in any order of maturity selected by the District (and if not selected by the District, *pro rata* among maturities) and by lot within a maturity. The Trustee shall promptly notify the District and the Corporation in writing of the Certificates so selected for redemption. Upon the occurrence of a redemption in part, the maturities to be redeemed shall be subject to the approval of AG.

Notice of Redemption. The District shall be required to give the Trustee written notice of its intention to redeem Certificates at least thirty (30) days prior to the date fixed for redemption unless the Trustee otherwise agrees to a shorter period for such notice. Unless waived in writing by any Owner of a Certificate to be redeemed, notice of any such redemption shall be given by the Trustee on behalf and at the expense

of the District, by mailing a copy of a redemption notice by first class mail, postage prepaid, at least twenty (20) days and not more than sixty (60) days prior to the date fixed for redemption to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Registration Books maintained by the Trustee or at such other address as is furnished in writing by such Owner to the Trustee; *provided, however*, that neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Certificates.

All notices of redemption shall be dated and shall state: (i) the redemption date; (ii) the redemption price; (iii) if less than all Outstanding Certificates of a maturity are to be redeemed, the Certificate numbers (and, in the case of partial redemption, the respective principal amounts) of the Certificates to be redeemed; (iv) that on the redemption date the redemption price will become due and payable upon each such Certificate or portion thereof called for redemption and that interest with respect thereto shall cease to accrue from and after said date; (v) the place where such Certificates are to be surrendered for payment of the redemption price, which place of payment shall be the Designated Corporate Trust Office; (vi) the CUSIP numbers of all Certificates being redeemed; (vii) the original date of execution and delivery of the Certificates; (viii) the rate of interest payable with respect to each maturity of Certificates being redeemed; (ix) the maturity date of each Certificate being redeemed; and (x) any other descriptive information needed to identify accurately the Certificates being redeemed.

Notwithstanding the foregoing, in the case of any optional redemption of the Certificates, the notice of redemption shall state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Certificates 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 Certificates have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Certificates to be optionally redeemed, such event shall not constitute an Event of Default; the Trustee shall 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 Certificates for which notice of optional redemption was given shall remain Outstanding for all purposes of the Trust Agreement.

Notice of redemption having been given as aforesaid and the deposit of the redemption price having been made by the District, the Certificates or portions of Certificates so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date interest with respect to such Certificates or portions of Certificates shall cease to be payable. Upon surrender of such Certificates for redemption in accordance with said notice, such Certificates shall be paid by the Trustee at the redemption price. Upon the payment of the redemption price of Certificates being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Certificates being redeemed with the proceeds of such check or other transfer, to the extent possible. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Certificates which have been redeemed shall be canceled by the Trustee, shall not be redelivered and shall be destroyed pursuant to the Trust Agreement.

In addition to the foregoing notice to the Owners, notice shall also be given by the Trustee, by telecopy or other electronic transmission, registered, certified or overnight mail, to all Securities Depositories and to an Information Service which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption.

The Trustee shall have no responsibility for a defect in the CUSIP number that appears on any Certificate or in the redemption notice. The redemption notice may provide that the CUSIP numbers have been assigned by an independent service and are included in the notice solely for the convenience of Certificate Owners and that the Trustee and the District shall not be liable in any way for inaccuracies in said numbers.

Partial Redemption of Certificate. Upon surrender of any Certificate redeemed in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Purchase of Certificates. In lieu of redemption of Certificates, amounts held by the Trustee for such redemption may also be used on any Interest Payment Date, upon receipt by the Trustee at least ninety (90) days prior to the next scheduled Interest Payment Date of the written request of a District Representative, for the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct. Such purchases may be affected through the investment department of the Trustee or of an affiliate of the Trustee. The aggregate principal amount of Certificates of the same maturity purchased in lieu of redemption shall not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such redemption. Remaining moneys, if any, shall be deposited in the Lease Payment Fund. All Certificates purchased in lieu of redemption shall be canceled by the Trustee.

Transfer and Exchange of Certificates

The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation at the Designated Corporate Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates of the same maturity and aggregate principal amount, in any authorized denominations.

Certificates may be exchanged at the Corporate Trust Office of the Trustee, for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. The District shall pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Book-Entry System

The Certificates will be initially executed, delivered and registered as one fully registered certificate for each maturity, without coupons, in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive physical certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. So long as DTC's book-entry system is in effect with respect to the Certificates, notices to Owners of the Certificates by the District or the Trustee will be sent to DTC.

Notices and communication by DTC to its participants, and then to the beneficial owners of the Certificates, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See APPENDIX F—DTC’S BOOK-ENTRY ONLY SYSTEM.

In the event that such book-entry system is discontinued with respect to the Certificates, the District will cause the Trustee to execute and deliver replacements in the form of registered certificates and, thereafter, the Certificates will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement.

SOURCE OF PAYMENT FOR THE CERTIFICATES

General

Each Certificate represents a direct, undivided fractional interest in the Lease Payments. Pursuant to the Lease Agreement, the District will lease the Property from the Corporation and agree to make Lease Payments. See “THE PROPERTY.” Upon satisfaction of certain conditions set forth in the Lease Agreement, the District may substitute the Property with other properties. See “Substitution or Removal of Property” and “Abatement” below.

As security for the Certificates, the Corporation will assign to the Trustee for the payment of principal and interest with respect to the Certificates, the Corporation’s rights, title and interest in the Lease Agreement (with certain exceptions), including the right to receive Lease Payments to be made by the District under the Lease Agreement. The Lease Payments are designed to be sufficient, in both time and amount, to pay when due, the principal and interest with respect to the Certificates. The Lease Payments are payable by the District from any source of legally available funds.

THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Lease Payments; Covenant to Appropriate

Pursuant to the Lease Agreement, the District has agreed to make Lease Payments for the lease of the Property. Lease Payments will be made by the District to the Trustee on February 15 and August 15 in each year, in advance of the corresponding March 1 and September 1 Interest Payment Dates. The District will also pay as additional payments (“Additional Payments”), amounts required for the payment of all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement or in connection with the execution and delivery of the Certificates. The District has covenanted under the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budget and to make the necessary annual appropriations for all such payments. Under certain circumstances described under the Lease Agreement, however, Lease Payments are subject to abatement during periods

of substantial interference with the District's use and occupancy of the Property or any portion thereof. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Abatement."

Reserve Fund

The Trust Agreement provides that the Trustee will establish and maintain the Reserve Fund equal to the Reserve Requirement. "Reserve Requirement" means an amount equal to the least of maximum annual Lease Payments, 125% of average annual Lease Payments and 10% of the principal amount of the Certificates, which amount shall be \$_____ on the Closing Date. Amounts in the Reserve Fund are to be used only for the payment of the principal and interest with respect to the Certificates to the extent amounts in the Lease Payment Fund are insufficient therefor.

On the date of delivery of the Certificates, in lieu of a cash deposit to the Reserve Fund, AG will issue the Reserve Policy, in an amount equal to the Reserve Requirement. There is no obligation for the District to replace the Reserve Policy or to cash fund the Reserve Fund if the rating of AG is downgraded or withdrawn.

Insurance

The District is required to keep or cause to be kept casualty insurance against loss or damage by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, in an amount at least equal to the lesser of (i) 100% of the replacement cost (without deducting for depreciation) of the Property and (ii) the aggregate principal amount of Certificates at the time outstanding. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

To insure against loss of rental income caused by perils mentioned above, the District is required to maintain, or cause to be maintained throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property as a result of any of the hazards described above in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive fiscal years during the remaining term of the Lease Agreement.

Public liability and property damage insurance coverage is required in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$150,000 (subject to a deductible clause of not to exceed \$5,000, or such higher amount as the District shall determine, provided that such higher deductible shall be considered a self-insured retention) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the District. The net proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

The District shall provide, from moneys in the Costs of Issuance Fund or at its own expense, on the Closing Date, a CLTA title insurance policy in the amount of not less than the principal amount of the

Certificates, insuring the District's leasehold estate in the Property, subject only to Permitted Encumbrances.

See APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT—Insurance.

Abatement

Pursuant to the Lease Agreement, Lease Payments shall be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the District of the Property or any portion thereof (other than any modified portions of the Property as described in the Lease Agreement) to the extent to be agreed upon by the District and the Corporation and communicated by a District Representative to the Trustee. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed), based upon any appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a District Representative to the Trustee. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments. If an abatement event has occurred but remedied, the District shall be required to extend the Term of the Lease Agreement for up to 10 years, as described in the Lease Agreement, until such time as the amounts abated are recouped. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance," APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Insurance and APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Abatement of Rental Payments in the Event of Damage or Destruction.

Eminent Domain

Pursuant to the Lease Agreement, if all of the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Property is taken permanently, or if the Property or any part thereof shall be taken temporarily, under the power of eminent domain, (1) the Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the District and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

Optional Prepayment

Pursuant to the Lease Agreement, the District has an option to prepay the principal components of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, in whole or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, with a premium as described above for the redemption of Certificates. See “THE CERTIFICATES—Redemption—Optional Redemption.”

Said option may be exercised by the District on any date on or after August 15, _____. In the event of prepayment in part, the partial prepayment will be applied against Lease Payments in such order of payment date as will be selected by the District. Lease Payments due after any such partial prepayment will be in the amounts set forth in a revised Lease Payment schedule which will be provided by, or caused to be provided by, the District to the Trustee and which will represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment.

Prepayment from Net Proceeds of Insurance and Condemnation

The District shall be obligated to prepay the Lease Payments for the Property, in whole or in part on any date, from and to the extent of any Net Proceeds of insurance award or condemnation award with respect to the Property that have been deposited with the Trustee in the Lease Payment Fund for such purpose. Such proceeds shall be applied to the prepayment of the principal component of the Lease Payments and the prepayment of the Certificates. See “THE CERTIFICATES—Prepayment—Prepayment from Net Proceeds of Insurance and Condemnation.”

Substitution of Property

Substitution of Property. The District shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land and facilities (“Substitute Property”) for the Property, provided that the District shall satisfy all of the following requirements (to the extent applicable) which are hereby declared to be conditions precedent to such substitution:

- (i) The District shall file with the Corporation, the Trustee and AG amended exhibits to the Site and Facility Lease which adds thereto a description of such Property and deletes therefrom the description of the Property;
- (ii) The District shall file with the Corporation, the Trustee and AG amended exhibits to the Lease Agreement which adds thereto a description of such Substitute Property and deletes therefrom the description of the Property;
- (iii) The District shall certify in writing to the Corporation, the Trustee and AG that such Substitute Property serve the purposes of the District, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the District is permitted to lease under the laws of the State;
- (iv) The District delivers to the Corporation, the Trustee and AG an Officer’s Certificate of the District based on insurance values or any other reasonable basis of valuation received by the District (which need not require an appraisal) that the value of the Property following such

substitution is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Substitute Property;

(v) The Substitute Property shall not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement, as evidenced by an officer's certificate delivered to the Corporation, the Trustee and AG;

(vi) The District shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which adds thereto a description of the site of the Substitute Property and deletes therefrom the description of the Site;

(vii) The District shall provide notice of the substitution to any rating agency then rating the Certificates which rating was provided at the request of the District; and

(viii) The District shall furnish the Corporation, the Trustee and AG with a written opinion of Special Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

Release of Property. The District shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Property, provided that the District shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The District shall file with the Corporation, the Trustee and AG an amended exhibit to the Property and Facility Lease which describes the Property, as revised by such release;

(ii) The District shall file with the Corporation, the Trustee and AG an amended exhibit to the Lease Agreement which describes the Property, as revised by such release;

(iii) The District delivers to the Corporation, the Trustee and AG an Officer's Certificate of the District based on insurance values or any other reasonable basis of valuation received by the District (which need not require an appraisal) that the value of the Property, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Corporation that the indemnification provided pursuant to the Trust Agreement applies with respect to the Property, as revised by such release;

(iv) Such release shall not cause the District to violate any of its covenants, representations and warranties made herein and in the Trust Agreement, as evidenced by an officer's certificate delivered to the Trustee;

(v) The District shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which describes the Property, as revised by such release; and

(vi) The District shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the District or the Corporation.

Events of Default and Remedies

The following shall be “events of default” under the Lease Agreement:

(a) Failure by the District to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease Agreement (including failure to request appropriation pursuant thereunder) or under the Trust Agreement, other than as referred to in clause (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation, the Trustee or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee (as directed by such Owners of not less than 5% in aggregate principal amount of Certificates then Outstanding) and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar acts which may hereafter be enacted.

Whenever any event of default shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant to be kept and performed by the District under the Lease Agreement is expressly made a condition and upon the breach thereof the Corporation may exercise any and all rights of entry and re-entry upon the Property, and also, at its option, with or without such entry, may terminate the Lease Agreement. In the event of such default and notwithstanding any re-entry by the Corporation, the District shall, as expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions contained in the Lease Agreement and, in any event, such rent and/or damages shall be payable to the Corporation at the time and in the manner as provided in the Lease Agreement.

Amendment of Lease Agreement

Except as provided below, without the prior written consent of the Trustee, the District will not alter, modify or cancel, or agree or consent to alter, modify or cancel the Lease Agreement, excepting only such alteration or modification as may be permitted by the Trust Agreement.

MUNICIPAL BOND INSURANCE

Municipal Bond Insurance Policy

Concurrently with the delivery of the Certificates, AG will issue the Policy for the Certificates. The Policy guarantees the scheduled payment of principal and interest with respect to the Certificates when due as set forth in the form of the Policy included as an appendix to this Official Statement. See APPENDIX H— SPECIMEN MUNICIPAL BOND INSURANCE POLICY.

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

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On October 18, 2024, KBRA announced it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 10, 2024, Moody's, following Assured Guaranty's announcement of the Merger, announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On May 28, 2024, S&P announced it had affirmed AG's financial strength rating of "AA" (stable outlook). On August 1, 2024, S&P stated that following the Merger, there is no change in AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Capitalization of AG

At December 31, 2024:

- The policyholders' surplus of AG was approximately \$3,524 million.
- The contingency reserve of AG was approximately \$1,392 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,424 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").
- The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 filed with the Securities and Exchange Commission (the "SEC") on February 28, 2025 that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8 K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of

filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "MUNICIPAL BOND INSURANCE—Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

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.

Unless otherwise indicated, the financial, statistical and demographic data in this Official Statement has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Fullerton Joint Union High School District, Attention: Assistant Superintendent, Business Services.

Board of Trustees and Administration

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

District Board Member	Office	Current Term Expires (December)
Vicki Calhoun	President	2028
Marilyn Buchi	Clerk	2026
Joanne Fawley	Board Member	2028
Chester Jeng	Board Member	2026
Lauren Klatzker	Board Member	2026

The District's day-to-day operations are managed by a board-appointed Superintendent of Schools. Dr. Steve McLaughlin was appointed as Superintendent of the District in July 2021. Dr. McLaughlin has over 25 years of experience in California schools. Ruben Hernandez serves as the Assistant Superintendent of Business Services, Vincent Madsen, serves as Director of Facilities, Maintenance & Operations, and Rami Beshara serves as the Director of Fiscal Services for the District.

DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

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

Most California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts. 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 revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts 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.

TABLE 1
AVERAGE DAILY ATTENDANCE,
LCFF AND ENROLLMENT
Fiscal Years 2014-15 to 2024-25

Fiscal Year	Average Daily Attendance ⁽¹⁾	LCFF Revenues ⁽²⁾	Enrollment ⁽³⁾
2014-15	13,849	\$114,920,185	14,396
2015-16	13,637	125,844,569	14,235
2016-17	13,425	129,504,568	13,983
2017-18	13,265	130,240,413	13,901
2018-19	13,080	137,293,483	13,695
2019-20	13,003	140,446,371	13,630
2020-21	13,003	138,994,775	13,473
2021-22	12,814	147,308,471	13,431
2022-23	12,354	166,460,185	13,173
2023-24	12,124	183,297,054	12,826
2024-25 ⁽⁴⁾	11,999	182,281,444	12,631

Source: Fullerton Joint Union High School District

- (1) 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) 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 2024-25 First Interim Report, adopted December 10, 2024.

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, such as the District, 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 2019-20 or beyond. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

Impact of Coronavirus on Attendance. As described herein, the short-term and long-term impact of the Coronavirus on the District's attendance, revenues and local property values, and the impacts of Federal and State legislation resulting from the Coronavirus emergency, cannot be predicted.

District Budget and County Review

Budgeting Procedures. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Orange County Superintendent of Schools.

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

The governing board of the school district, together with the county superintendent, must review and respond to the recommendations of the county superintendent on or before October 8 at a regular meeting of the governing board of the school district. The county superintendent will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent disapproves

a revised budget, the county superintendent will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the State Superintendent may impose a budget and will report such school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations.

If at any time during the fiscal year the county superintendent determines that a school district may be unable to meet its financial obligations for the current or two subsequent fiscal years or if a school district has a qualified or negative certification (as describe below), the county superintendent will notify the governing board of the school district and the State Superintendent of that determination and report to the State Superintendent the financial condition of the school district. The county superintendent will also report proposed remedial actions and take at least one of the following and all actions that are necessary to ensure that the school district meets its financial obligations: (a) assign a fiscal expert, (b) conduct a study of the financial and budgetary conditions of the school district that includes, but is not limited to, a review of internal controls, (c) direct the school district to submit a financial projection of all fund and cash balances of the school district as of June 30 of the current year and subsequent fiscal years, (d) require the school district to encumber all contracts and other obligations, to prepare appropriate cashflow analyses and monthly or quarterly budget revisions, and to appropriately record all receivables and payables, (e) direct the school district to submit a proposal for addressing the fiscal conditions that resulted in the determination that the school district may not be able to meet its financial obligations, (f) withhold compensation of the members of the governing board of the school district and the school district superintendent for failure to provide requested financial information, and (g) assign the County Office of Education and Fiscal Crisis and Management Assistance Team to review and provide recommendations related to teacher hiring practices, teacher retention rate, percentage of provision of highly qualified teachers, and the extent of teacher misassignment in the school district.

If, after taking various remedial actions, the county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the State Superintendent and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the State Superintendent and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed District.

Interim Reporting. A State law adopted in 1991 (known as “A.B. 1200”) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the Education Code (Section 42100 et seq.), each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then current projections, 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, based on then current projections, will not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the Superintendent no later than June 1, financial statement projections of the school district’s fund and cash balances through June 30 for the period ending April 30.

Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district’s repayment of indebtedness is probable. The District has received positive certifications on its interim financial reports for fiscal years 2022-23 and 2023-24.

Emergency Appropriation from the State. For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the State Superintendent and the president of the State board or the president’s designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district’s return to fiscal solvency.

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State general fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State general fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State general fund that must be repaid in 20

years. Each year, the State Superintendent will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State general fund will be based upon the availability of funds within the State general fund.

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, 2024, and prior fiscal years are on file with the District and available for public inspection at the office of the Assistant Superintendent, Business Services, of the District, 1051 West Bastanchury Road, Fullerton, CA 92833, telephone number (714) 870-2810. 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, 2024.

The following table shows the District's audited revenues, expenditures and changes in fund balances for the past four fiscal years and projections for 2024-25.

TABLE 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years 2020-21 to 2024-25

	Fiscal Year Ended June 30,				
	2020-21 Audited	2021-22 Audited	2022-23 Audited	2023-24 Audited	2024-25 Projected
REVENUES					
Local Control Funding Formula (LCFF)					
State Apportionments	59,590,931	63,452,505	76,082,688	87,012,823	78,949,232
Local Sources	79,529,463	83,870,429	90,557,741	96,171,594	103,332,212
Total LCFF Sources	139,120,394	147,322,934	166,640,429	183,184,417	182,281,444
Federal Sources	19,797,974	14,176,118	13,013,190	16,919,348	10,243,378
Other State Sources	19,670,594	23,686,484	34,535,756	26,935,916	20,740,715
Other Local Sources	14,243,712	14,511,988	16,262,429	22,331,817	18,549,250
Total Revenue	192,832,674	199,697,524	230,451,804	249,371,498	231,814,787
EXPENDITURES					
Certificated Salaries	73,831,178	78,210,351	81,130,266	90,493,587	93,253,518
Classified Salaries	22,188,902	24,350,563	25,421,270	28,693,297	30,218,680
Employee Benefits	48,113,451	52,050,755	54,284,881	58,577,406	64,184,385
Books and Supplies	10,800,195	11,666,074	10,776,594	13,784,899	14,143,060
Services and Other Operating Exp.	23,134,130	22,828,931	26,882,769	26,012,708	28,972,295
Capital Outlay	4,799,699	4,160,518	4,715,989	11,238,485	6,350,558
Other Outgo and Indirect Costs	4,394,395	5,074,091	5,623,071	5,638,749	5,948,303
Debt Service	93,492	-	-	-	-
Total Expenditures	187,355,442	198,341,283	208,834,840	234,439,131	243,070,799
Excess (Deficiency) of Revenues Over Expenditures	5,477,232	1,356,241	21,616,964	14,932,367	(11,256,012)
Other Funding Sources					
Interufnd Transfer In	-	-	-	390,320	-
Interufnd Transfer out	(650,000)	(650,000)	(650,000)	(2,650,000)	(3,250,000)
Total Other	(650,000)	(650,000)	(650,000)	(2,259,680)	(3,250,000)
Net Change in Fund Balances	4,827,232	706,241	20,966,964	12,672,687	(14,506,012)
Fund Balance - Beginning of Year	65,694,678	70,521,910	71,228,151	92,195,115	104,867,802
Fund Balance - End of Year	70,521,910	71,228,151	92,195,115	104,867,802	90,361,790

Source: Fullerton Joint Union High School District 2021-24 audited financial statements and 2024-25 2nd Interim Report.

Summary of District Revenues and Expenditures

The District's audited financial statements for the year ending June 30, 2024, are reproduced in APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024. 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 2024-25, the District has budgeted an unrestricted general fund reserve of 3%, or approximately \$7,390,000. Substantially all funds of the District are required by law to be deposited with and invested by the Orange County Treasurer-Tax Collector on behalf of the District, pursuant to law and the investment policy of the County. See APPENDIX D—ORANGE COUNTY, CALIFORNIA, 2025 INVESTMENT POLICY and APPENDIX H—ORANGE COUNTY TREASURY POOL.

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 receives a base grant per its ADA used to support the basic costs of instruction and operations. The implementation of the LCFF began in fiscal year 2013-14 and was fully implemented during fiscal year 2018-19.

The LCFF includes the following components:

- An average base grant for each local education agency per unit of ADA as detailed in the CALIFORNIA SCHOOL DISTRICTS AND CHARTER SCHOOLS GRADE SPAN FUNDING AT FULL LCFF IMPLEMENTATION LOCAL CONTROL TARGET FUNDING FORMULA 2019-20 summary table herein.
- 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 unduplicated student enrollment, for fiscal years 2013-14 through 2024-25.

TABLE 3
ADA, ENROLLMENT AND UNDUPLICATED ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 through 2024-25

Fiscal Year	Average Daily Attendance				Total District ADA	Total District Enrollment ⁽²⁾	% of EL/LI Enrollment ⁽³⁾
	K-3	4-6	7-8	9-12			
2013-14	—	—	—	13,907	13,907	14,501	47.12%
2014-15	—	—	—	13,849	13,849	14,396	48.50
2015-16	—	—	—	13,637	13,637	14,235	48.67
2016-17	—	—	—	13,425	13,425	13,983	45.41
2017-18	—	—	—	13,265	13,265	13,901	51.33
2018-19	—	—	—	13,080	13,080	13,695	49.29
2019-20	—	—	—	13,003	13,003	13,630	51.42
2020-21	—	—	—	13,003	13,003	13,473	49.03
2021-22	—	—	—	12,814	12,814	13,431	51.72
2022-23	—	—	—	12,354	12,354	13,173	54.72
2023-24	—	—	—	12,124	12,124	12,826	59.72
2024-25	—	—	—	11,999	11,999	12,631	60.66

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 2024-25 First Interim Report, adopted December 10, 2024.

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 is 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. As the LCFF has been fully implemented, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget on an ongoing basis. 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 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
2023-24**

	A	B	C	D	E
	2023-24 Base	2024-25	2024-25 Base Grant per ADA before Grade	Grade Span Adjustments	2024-25 Base Grant/Adjusted
Grade Span	Grant per ADA	COLA (A*1.07%)	Span Adjustments (A+B)	(TK-3: C*10.4% 9-12: C*2.6%)	Base Grant per ADA (C+D)
K-3	\$9,919	\$106	\$10,025	1,043	\$11,068
4-6	10,069	108	10,177	N/A	10,177
7-8	10,367	111	10,478	N/A	10,478
9-12	12,015	129	12,144	316	12,460

Source: California Department of Education

Since July 1, 2015, school districts have been required to develop a three-year Local Control and Accountability Plan (each, a “LCAP”). County Superintendents of Schools and the State Superintendent review and provide support to school districts and county offices of education under their jurisdictions. 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 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 has District 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, maintain a dashboard system 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 the Every Student Succeeds Act, 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. As described above, 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.

Effect of State Budget on Revenues

Most public school districts in California, including the District, are dependent on revenues from the State for a large portion of their operating budgets, because the primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes as previously described herein (see “—Education Funding Generally” above). School districts which are Community Funded however are an exception to this and derive most of their revenues from local property taxes.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS”), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding generally. See “STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS.”

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 636.40 full-time equivalent (FTE) certificated employees and 402.20 FTE classified. There are two formal bargaining organizations operating in the District as detailed in the table below.

TABLE 4
LABOR ORGANIZATIONS
Fullerton Joint Union High School District

Labor Organization	Members	Contract Expiration
Fullerton Secondary Teachers Organization	583	6/30/2025
California Schools Employees Association	387	6/30/2025

Source: Fullerton Joint Union High School District

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 California 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. Previously, 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 increased significantly prior to the implementation of AB 1469 (defined below). 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 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)**

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

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members (“PEPRA Members”) hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees (“Classic Members”) hired before the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2021, the contribution rate was 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2022, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2023, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2024, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members.

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

**K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>K-14 school districts</u>
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.

On June 27, 2019, the Governor signed SB 90 (“SB 90”) into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated \$2.246 billion to be transferred to the Teacher’s Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of \$1.117 billion to be allocated to reduce the employer’s share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment was reflected in the June 30, 2020 actuarial valuation. Subsequently, the State’s 2020-21 Budget redirected \$2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal year 2020-21 and 2021-22. As a result, the effective employer contribution rate was 16.15% in fiscal year 2020-21 and 16.92% in fiscal year 2021-22. The employer contribution rate was 19.1% in fiscal year 2022-23, 19.1% in fiscal year 2023-24 and is 19.1% in fiscal year 2024-25.

The District’s contributions to STRS:

Fiscal Year	Amount of Contribution
2018-19	\$17,049,000
2019-20	17,985,841
2020-21	19,109,688
2021-22	21,384,831
2022-23	22,551,771
2023-24	24,294,901
2024-25 ⁽¹⁾	25,018,161

Source: Fullerton Joint Union High School District

(1) Budgeted

The State also contributes to STRS, currently in an amount equal to 8.328% for fiscal year 2023-24 and 8.328% in fiscal year 2024-25. 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. However, the maximum increase or decrease in a given year is limited to 0.5% of payroll under the STRS valuation policy. Once the State has eliminated its share of the STRS’ unfunded actuarial obligation, the State contribution will be immediately reduced to the base contribution rate of 2.017% of payroll.

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 California Public Employees’ Retirement System (“PERS”). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended 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, 2023 included 1,595 public agencies and 1,332 K-14 school districts and charter schools. 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. Pursuant to SB 90, the State Legislature appropriated \$904 million to the Schools Pool, including transfers in fiscal years 2019-20 and 2020-21 to the Public Employees Retirement Fund to pay, in advance on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years, as well as additional amounts to be applied toward certain unfunded liabilities for K-14 school district employers. In June 2020, SB 90 was amended by Assembly Bill 84/Senate Bill 111 (“AB 84”). Under AB 84, \$144 million of the State contribution under SB 90 was deemed to satisfy a portion of the State’s required contribution in fiscal year 2019-20, and the amounts previously allocated toward future liabilities were redirected such that, \$430 million will satisfy a portion of the employer contribution rate in fiscal year 2020-21, and \$330 million will satisfy a portion of the employer contribution rate in fiscal year 2021-22. As a result of the payments made by the State pursuant to SB 90, as amended by AB 84, the employer contribution rate was 19.721% for fiscal year 2019-20, 20.7% in fiscal year 2020-21, and 22.91% for fiscal year 2021-22. The employer contribution rate was 25.37% in fiscal year 2022-23, 26.68% in fiscal year 2023-24, and is 27.05% in fiscal year 2024-25. Classic Members contribute at a rate established by statute, which is 7% in fiscal year 2023-24 and 7% in fiscal year 2024-25, while PEPRA Members contribute at an actuarially determined rate, which was 8% in fiscal year 2023-24. For the Schools Pool Actuarial Valuation as of June 30, 2023 (the “2023 PERS Actuarial Valuation”), the total normal cost did not change by more than 1% relative to the basis currently in effect, therefore the PEPRA Member contribution rate remains 8% in fiscal year 2024-25. See “—California Public Employees’ Pension Reform Act of 2013” herein.

The District’s contributions to PERS:

Fiscal Year	Amount of Contribution
2018-19	\$3,606,882
2019-20	4,161,123
2020-21	4,355,186
2021-22	5,150,380
2022-23	5,931,175
2023-24	6,908,856
2024-25 ⁽¹⁾	8,372,837

Source: Fullerton Joint Union High School District

(1) Budgeted

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 (Schools Pool)
(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2012-13 through 2022-23

STRS					
Fiscal Year	Accrued Liability	Value of Trust Assets (MVA) ⁽²⁾	Unfunded Liability (MVA) ⁽²⁾	Value of Trust Assets (AVA) ⁽³⁾	Unfunded Liability (AVA) ⁽²³⁾
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
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703
2019-20	322,127	233,253	107,999	216,252	105,875
2020-21	332,082	292,980	60,136	242,363	89,719
2021-22	346,089	283,340	85,803	257,537	88,552
2022-23	359,741	299,148	85,571	273,155	86,586

PERS					
Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA) ⁽³⁾	Unfunded Liability (AVA) ⁽²³⁾
2012-13	\$61,487	\$49,482	\$12,005	\$56,250	\$5,237
2013-14	65,600	56,838	8,761	-- ⁽⁴⁾	-- ⁽⁴⁾
2014-15	73,325	56,814	16,511	-- ⁽⁴⁾	-- ⁽⁴⁾
2015-16	77,544	55,785	21,759	-- ⁽⁴⁾	-- ⁽⁴⁾
2016-17	84,416	60,865	23,551	-- ⁽⁴⁾	-- ⁽⁴⁾
2017-18	92,071	64,846	27,225	-- ⁽⁴⁾	-- ⁽⁴⁾
2018-19 ⁽⁵⁾	99,528	68,177	31,351	-- ⁽⁴⁾	-- ⁽⁴⁾
2019-20 ⁽⁶⁾	104,062	71,400	32,662	-- ⁽⁴⁾	-- ⁽⁴⁾
2020-21	110,507	86,519	23,988	-- ⁽⁴⁾	-- ⁽⁴⁾
2021-22	116,982	79,386	37,596	-- ⁽⁴⁾	-- ⁽⁴⁾
2022-23	124,924	84,292	40,632	-- ⁽⁴⁾	-- ⁽⁴⁾

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, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

⁽³⁾ Reflects actuarial value of assets.

⁽⁴⁾ Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

⁽⁵⁾ For the fiscal year 2020-21 actuarially determined contribution, the additional \$430 million State contribution made pursuant to AB 84 did not directly impact the actuarially determined contribution as it was not yet in the Schools Pool by the June 30, 2019 actuarial valuation date. The additional State contribution was treated as an advance payment toward the unfunded accrued liability contribution with required employer contribution rate correspondingly reduced.

⁽⁶⁾ For the fiscal year 2021-22 actuarially required contribution, the impact of the additional \$330 million State contribution made pursuant to AB 84 is directly reflected in the actuarially determined contribution, because the additional payment was in the Schools Pool as of the June 30, 2020 actuarial valuation date, which served to reduce the required employer contribution rate by 2.16% of payroll.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015) (the “2017 Experience Analysis”), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member’s increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the “2016 STRS Actuarial Valuation”). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation, and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%.

Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2007, through June 30, 2022) (the “2024 Experience Analysis”), on January 10, 2024, the STRS Board adopted a new set of actuarial assumptions that will be first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2023. The payroll growth assumption was decreased to 3.25% from 3.50% due to the projected need for fewer teachers due to projected declining enrollment in the State over the next 20 years, while the following actuarial assumptions remained unchanged since the CalSTRS Experience Analysis (spanning July 1, 2015 through July 1, 2018) (the “2020 Experience Analysis”): long-term investment return (7.0%), (ii) price inflation (2.75%), and (iii) wage growth (3.50%). Certain demographic assumptions were also updated, including changing the assumed life expectancy of STRS retirees to more closely reflect recent trends. The 2023 STRS Actuarial Valuation (defined below) continues using the Entry Age Normal Actuarial Cost Method.

The STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2023 (the “2023 STRS Actuarial Valuation”) reports that, based on an actuarial value of assets, the unfunded actuarial obligation decreased by approximately \$1.966 billion since the 2022 STRS Actuarial Valuation and the funded ratio increased by 1.50% to 75.9% over such time period. The main reason for the increase in the funded ratio were the expected year-to-year change due to contributions received to pay down the unfunded actuarial accrued liability and the new actuarial assumptions (primarily the mortality assumption change) that were adopted for use in the 2023 STRS Actuarial Valuation. The STRS Board has no authority to adjust rates to pay down the portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990 (the “Unallocated UAO”). There was a small decrease in the surplus (a negative unfunded actuarial obligation) for the Unallocated UAO from \$359 million as of June 30, 2022 to \$356 million as of June 30, 2023.

According to the 2023 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2044 of 100.7%. This finding assumes adjustments to contribution rates in line with the funding plan and STRS Board policies, the future recognition of the currently deferred asset gains, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

On November 7, 2024, STRS released its 2024 Review of Funding Levels and Risks (the “STRS 2024 Review of Funding Levels and Risks”), which is based on the 2023 STRS Actuarial Valuation. The STRS 2024 Review of Funding Levels and Risks notes that funding projections have improved slightly since the completion of the June 30, 2023 actuarial valuation that was presented to the Board in May 2024 in part

due to the 8.4% investment return earned by STRS in fiscal year 2023-24 and an increase of 9,000 active members, which contributed to an 8% increase in the payroll of active members.

The key results and findings noted in the STRS 2024 Review of Funding Levels and Risks were that (i) current contribution rates for the State and employers are still projected to be sufficient to allow both the State and the employers to eliminate their share of the STRS unfunded actuarial obligation by 2046; contribution rate increases are not expected to be needed for fiscal year 2025-26, (ii) The State remains well ahead of schedule to eliminate its share of the STRS unfunded actuarial obligation (currently projected to be eliminated in 2027), (iii) the largest risk facing STRS' ability to reach full funding remains investment-related risk, especially considering the Defined Benefit Program continues to mature, which will increase the system's sensitivity to investment experience, (iv) the risk that a negative investment return might impact STRS ability to reach full funding is expected to increase once the State fully eliminates its share of STRS unfunded actuarial obligation because of a trigger that will require the State contribution rate to immediately drop to 2.017% potentially limiting STRS ability to react to changing conditions, because once this occurs, the STRS Board would only be able to raise the State contribution rate by 0.5% each year, taking 12 years to simply return to the State contribution rate in place in the prior fiscal year potentially resulting in a situation where the State can no longer eliminate its share of the unfunded liability by 2046, and (v) the ability of the funding plan to allow STRS to reach full funding is dependent on STRS meeting its current actuarial assumptions over the long term; uncertain investment markets and a potential decline in the number of teachers could put pressure on STRS ability to meet some of its long-term assumptions and impact its ability to reach full funding.

The STRS 2024 Review of Funding Levels and Risks notes highlighted risks associated with longevity, the size of active membership and investments. The STRS 2024 review of Funding Levels and Risks notes that, overall, STRS experienced greater mortality than projected under previous assumptions, but it remains uncertain whether the pandemic will continue to impact mortality in the long term. In January 2024 the STRS Board adopted new mortality assumptions that were slightly lower than the data indicated, essentially not fully reflecting the impact of the pandemic. In January of 2024, the STRS Board also adopted a change to the rate at which the payroll is assumed to increase, from 3.5% to 3.25%, which reflects STRS assumption that the population of active teachers will decline slowly over time (approximately 5% through 2046). The STRS 2024 Review of Funding Levels and Risks notes that if the active membership declines and the payroll fails to grow as assumed, STRS ability to make progress toward full funding could be at risk. Retirements from active teachers are expected to increase significantly over the next 10 years. Although an increase in retirements does not necessarily impact long term funding, if school districts do not replace teachers who retire in the future, that could result in a reduction in the overall number of teachers and impact STRS ability to reach full funding by 2046. With the anticipated decline in the number of children enrolled in K-12 public schools, the risk that the number of teachers may go down in the future is real and was one of the considerations when the STRS Board lowered the payroll growth assumption. California experienced a significant decline in enrollment in both K-12 public schools and community colleges starting in 2020-21. Total enrollment in K-12 public schools dropped by approximately 310,000, or a 5% reduction, between 2019-20 and 2022-23, while the number of students enrolled at community colleges dropped by 310,000, or a 20% reduction, before increasing by approximately 30,000 in the fall of 2022. In October 2023, the State updated its projection of K-12 enrollments, with the most recent projection anticipating a decline of approximately 11% over the next 10 years and 15% over the next 20 years. If the anticipated reduction in enrolment results in a need for fewer teachers in California, it would impact the number of active teachers who participate in the STRS Defined Benefit Program and ultimately the growth in payroll. One countervailing force that could potentially offset some of the factors listed above would be the reduction of class sizes. The STRS 2024 Review of Funding Levels and Risks notes that investment volatility and the risk that STRS may not be able to meet its assumed investment return over the long-term remains the

greatest risk facing STRS today. The combination of a maturing system and the decreasing timeframe of the funding plan only serves to increase this risk. STRS 2024 Review of Funding Levels and Risks notes that (i) when investment returns are below expectations, the unfunded actuarial obligation increases, requiring additional contributions to bridge the gap, however, the funding plan provides the board limited authority to increase contribution rates for both the State and employers; (ii) the State bears the greatest risk when it comes to investment volatility due to rules set in the funding plan that allocate the largest share of the assets to the state which results in its share of the unfunded actuarial obligation being the most sensitive to investment volatility; (iii) the STRS Board has authority to increase the State's contribution by a maximum of 0.5% of payroll each year with no limit on the maximum rate; however the State contribution rate will be reduced to 2.017% of payroll once the State has eliminated its share of the unfunded liability, and (iv) since the funding plan expires in 2046, after which the STRS Board's authority to adjust contribution rates terminates, the time period over which to fund an existing and new unfunded actuarial obligation is declining each year.

On July 30, 2024, STRS reported a net return on investments of 8.4% for fiscal year 2023-24, ending with the total fund value of \$341.4 billion as of June 30, 2024. The 2023-24 return keeps STRS on track long term, as the 5-, 10-, 20-, and 30-year returns, all surpass the actuarial assumption of 7.0%, during a period of inflation, rising interest rates and geopolitical uncertainty. In its news release reporting the fiscal year 2023-24 investment return, STRS noted that it is ahead of schedule in reaching full funding by 2046.

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 (revised to two percentage points in 2017). On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went 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 PERS Funding Risk Mitigation Policy recently triggered an automatic decrease of 0.2% in the PERS Discount Rate due to the investment return in fiscal year 2020-21, lowering such rate to 6.8%. On April 15, 2024, the PERS Board removed the automatic mechanism to reduce the discount rate and added a provision to the Funding Risk Mitigation Policy to bring an agenda item to the PERS Board for discussion if a funding risk mitigation event occurs.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully funded status within 30 years. The policies included 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 were first 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.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on November 17, 2021 (the “2021 Experience Study”), the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.30% per year, (ii) increasing the assumed real wage inflation assumption to 0.5%, which results in a total wage inflation of 2.80%, (iii) increasing the payroll growth rate to 2.80%, and (iv) certain changes to demographic assumptions relating to modifications to the mortality rates, retirement rates, and disability rates (both work and non-work related), and rates of salary increases due to seniority and promotion. These actuarial assumptions were incorporated into the actuarial valuation for fiscal year ending June 30, 2021 and first impacted contribution rates for school districts in fiscal year 2022-23. Based on the timing of the study, the member data used in the analysis, which runs through June 30, 2019, does not include the impacts of COVID-19. Preliminary analysis of the system experience since the beginning of the pandemic has shown demographic experience (e.g. retirements, deaths, etc.) did differ from the current actuarial assumptions in some areas, which will be more precisely quantified in future actuarial valuations.

On November 15, 2021, the PERS Board selected a new asset allocation mix through its periodic Asset Liability Management Study that will guide the fund’s investment portfolio for the next four years, retained the current 6.8% discount rate and approved adding 5% leverage to increase diversification. The new asset allocation took effect July 1, 2022 and impacted contribution rates for employers and PEPRAs employees beginning in fiscal year 2022-23.

2023 PERS Actuarial Valuation reported that from June 30, 2022 to June 30, 2023 the funded ratio of the Schools Pool decreased by 0.4% (from 67.9% to 67.5%), which was primarily due to salary increases in fiscal year 2022-23 being higher than expected. The 2023 PERS Actuarial Valuation notes that during the time period between the valuation date and the publication of the 2023 PERS Actuarial Valuation, inflation

was higher than the expected inflation rate of 2.3% per annum, and since inflation influences cost-of-living increases for retirees and beneficiaries and active member pay increases, higher inflation is likely to put at least some upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2024, valuation. The average salary increase was 9.8% for members actively employed during the entire year ending June 30, 2023. Total reported payroll in 2022-23 increased by 13.9% over the prior year, compared with 2.8% expected. This change, driven by a combination of active headcount growth and the salary increases, served to reduce the employer contribution rate for 2024-25 by 1.74% of pay as the dollar amount of the unfunded liability contribution is divided by a larger payroll. Based on final June 30, 2023 assets, the money-weighted investment return for 2022-23 was 6.1%, generating an actuarial investment loss of \$0.6 billion. This loss will be amortized over 20 years with a five-year ramp, increasing the employer contribution rate in 2024-25 by 0.07% of pay. Due to the five-year ramp, this impact will increase each year until it reaches an estimated 0.33% of pay in 2028-29.

On July 15, 2024, PERS reported a preliminary net return on investment of 9.3% for PERF in fiscal year 2023-24. When using the preliminary net return of 9.3% to assess long-term obligations, the overall estimated funded status of the PERF stands at 75%. As of June 30, 2024, assets were valued at \$502.9 billion. The ending value of the PERF for fiscal year 2023-24 will be based on additional factors beyond investment returns, including employer and employee contributions, monthly payments to retirees, and various investment fees. PERS will review the portfolio's performance in the next few months to determine the final fiscal year returns for 2023-24. The final investment return for fiscal year 2023-24 will be reflected in contribution levels for the State and school district employers in fiscal year 2025-26.

A circular letter published on August 30, 2024 reports that the contribution rate for fiscal year 2025-26 is projected to be 27.4%, the contribution rate for fiscal year 2026-27 is projected to be 27.5%, the contribution rate for fiscal year 2027-28 is projected to be 28.5%, the contribution rate for fiscal year 2028-29 is projected to be 28.2%, and the contribution rate for fiscal year 2029-30 is projected to be 27.8%. The projected contribution rates reflect a preliminary investment return for fiscal year 2023-24 of 9.3% (without reduction for administrative expenses). Further, projected rates reflect the anticipated decrease in normal cost due to new hires entering lower cost benefit tiers. The projections assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits or funding will occur during the projection period. Future contribution requirements may differ significantly. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

In November 2024, PERS released its 2024 Annual Review of Funding Levels and Risk (the "2024 PERS Funding Levels and Risk Report"), which provided a summary of the current funding levels of the system, the near-term outlook for required contributions and risks faced by the system in the near and long-term. The 2024 PERS Funding Levels and Risk Report notes that over the next several years there is the potential for various factors to either further increase required contributions or add additional financial strain on employers and their ability to make required contributions, including inflation and near-term economic turmoil. The 2024 PERS Funding Levels and Risk Report notes that over the last few years, price inflation has been significantly higher than the PERS long-term assumption of 2.3%, which can affect liability measures and investment returns in several ways and which can be difficult to quantify. The most direct impact of high inflation is that retirees can receive higher than expected cost-of-living adjustments and active employees can receive higher than expected salary increases, which could increase actuarial losses in the future. The 2024 PERS Funding Levels and Risk report concludes that, as of June 30, 2023, the PERS Retirement System had experienced a couple of years of investment returns below the expected return of 6.8%, and actuarial losses primarily due to high inflation which resulted in unexpected cost of living adjustments for retirees and higher than expected member pay increases, which resulted in increased

employer contributions along with further increases forecasted for the near future. Despite the strong investment return for the fiscal year ending June 30, 2024, the 2024 PERS Funding Levels and Risk Report notes that employer contributions are currently at relatively high levels due to large amounts of unfunded accrued liability and uncertainty within the economy suggests possible economic turmoil in the near future. The 2024 PERS Funding Levels and Risk Report concludes that the ability of employers to continue making required contributions to the system is the area of greatest concern.

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 PEPPRA Members, 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 ("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 (previously, 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.

No Other Post-Employment Benefits. The District does not provide other post-employment benefits to its employees.

Charter Schools

The State Legislature enacted the Charter Schools Act of 1992 (California Education Code Sections 47600-47616.5) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, California's charter school law states that local boards are the primary charter approving agency and that county panels can appeal a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. The charter school is exempt from state and local education rules and regulations, except as specified in the legislation.

School districts have certain fiscal oversight and other responsibilities with respect to both affiliated independent and district operated charter schools established within their boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District's audited financial statements. District operated charter schools receive their funding from the District and would be reflected in the District's audited financial statements.

The District has no 9-12 charters operating within its boundaries and does not have any indicators that one will be developed any time soon.

The District makes no representations regarding how many District students will transfer to charter schools, back to the District from charter schools, or will transfer between the District and other school districts due to the presence of charter schools in the future, and the District cannot predict the corresponding financial impacts of such transfers on the District.

Assembly Bill 1505 was recently enacted (the "AB 1505"), which aims to slow the growth of charter schools. AB 1505 will give school districts increased leverage to deny applications for new charter schools by providing school districts additional discretion when authorizing charter schools to consider the number and enrollment in proposed charter schools, academic outcomes and offerings and a statement of need for the school. The District cannot predict the impact such legislation will have on its operations and finances.

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.

TABLE 5
OUTSTANDING GENERAL OBLIGATION BONDS
Fullerton Joint Union High School District
As of April 1, 2025

Issue Date	Series	Original Principal Amount	Outstanding Amount as of April 1, 2025
10/28/15	Election of 2014, Series A	\$42,500,000	\$ 30,100,000
4/26/17	Election of 2014, Series B	40,000,000	31,435,000
4/25/18	Election of 2014, Series C	48,000,000	45,440,000
2/27/19	Election of 2014, Series D	21,000,000	20,425,000
6/10/20	Election of 2014, Series E	23,500,000	23,040,000
6/10/20	2020 GO Refunding Bonds	15,295,000	7,160,000
5/5/21	2021 GO Refunding Bonds	16,450,000	14,530,000
3/11/25	Election of 2024, Series A	120,000,000	120,000,000
		<u>\$326,745,000</u>	<u>\$292,130,000</u>

The following table shows the District's debt service obligations with respect to its outstanding general obligation bonds.

TABLE 6
DEBT SERVICE OBLIGATIONS ON
OUTSTANDING GENERAL OBLIGATION BONDS
Fullerton Joint Union High School District
As of April 1, 2025

Period Ending (8/1)	Election of 2014 Series A	Election of 2014 Series B	Election of 2014 Series C	Election of 2014 Series D	Election of 2014 Series E	2020 Refunding Bonds	2021 Refunding Bonds	Election of 2024 Series A	Total
2025	\$ 2,483,931.26	\$ 1,681,181.26	\$ 2,178,575.00	\$ 1,087,537.50	\$ 820,531.26	\$2,848,000.00	\$ 1,824,290.00	\$ 2,045,730.56	\$14,969,776.84
2026	2,484,681.26	1,777,431.26	2,301,575.00	1,147,637.50	864,781.26	2,508,500.00	1,860,290.00	11,460,450.00	24,405,346.28
2027	2,486,931.26	1,872,681.26	2,427,575.00	1,213,887.50	911,531.26	2,514,750.00	1,942,490.00	10,514,450.00	23,884,296.28
2028	2,485,431.26	1,976,681.26	2,566,075.00	1,275,737.50	960,531.26	—	4,958,890.00	4,576,950.00	18,800,296.28
2029	2,485,181.26	2,088,681.26	2,701,075.00	1,343,187.50	1,011,531.26	—	5,054,490.00	4,586,950.00	19,271,096.28
2030	2,484,631.26	2,198,081.26	2,847,325.00	1,415,687.50	1,059,281.26	—	—	4,591,200.00	14,596,206.28
2031	2,482,581.26	2,315,218.76	2,998,825.00	1,489,187.50	1,113,781.26	—	—	4,609,950.00	15,009,543.78
2032	2,484,031.26	2,439,018.76	3,154,825.00	1,567,175.00	1,164,531.26	—	—	4,752,450.00	15,562,031.28
2033	2,486,531.26	2,564,418.76	3,314,575.00	1,644,125.00	1,226,531.26	—	—	4,957,450.00	16,193,631.28
2034	2,487,156.26	2,697,418.76	4,127,325.00	1,054,775.00	1,309,031.26	—	—	5,166,450.00	16,842,156.28
2035	2,483,456.26	2,836,481.26	4,239,825.00	1,233,775.00	1,345,781.26	—	—	5,378,700.00	17,518,018.78
2036	2,485,281.26	2,974,043.76	3,844,825.00	1,902,275.00	1,408,981.26	—	—	5,553,450.00	18,168,856.28
2037	2,484,743.76	3,124,943.76	4,037,075.00	1,994,025.00	1,470,581.26	—	—	5,796,950.00	18,908,318.78
2038	2,484,143.76	3,280,400.00	4,232,956.26	2,091,025.00	1,539,331.26	—	—	6,045,200.00	19,673,056.28
2039	2,485,918.76	3,435,600.00	4,438,712.50	2,194,525.00	1,611,168.76	—	—	6,302,200.00	20,468,125.02
2040	2,487,000.00	3,605,200.00	4,653,668.76	2,296,925.00	1,684,506.26	—	—	6,571,700.00	21,299,000.02
2041	—	4,503,200.00	5,792,150.00	2,817,325.00	2,155,593.76	—	—	6,852,200.00	22,120,468.76
2042	—	—	8,455,950.00	4,041,675.00	3,268,200.00	—	—	7,142,200.00	22,908,025.00
2043	—	—	—	—	8,240,000.00	—	—	7,479,600.00	15,719,600.00
2044	—	—	—	—	—	—	—	7,833,000.00	7,833,000.00
2045	—	—	—	—	—	—	—	8,206,000.00	8,206,000.00
2046	—	—	—	—	—	—	—	8,592,000.00	8,592,000.00
2047	—	—	—	—	—	—	—	8,944,600.00	8,944,600.00
2048	—	—	—	—	—	—	—	9,314,200.00	9,314,200.00
2049	—	—	—	—	—	—	—	9,954,200.00	9,954,200.00
2050	—	—	—	—	—	—	—	10,347,800.00	10,347,800.00
2051	—	—	—	—	—	—	—	10,753,400.00	10,753,400.00
2052	—	—	—	—	—	—	—	11,179,400.00	11,179,400.00
2053	—	—	—	—	—	—	—	11,623,800.00	11,623,800.00
2054	—	—	—	—	—	—	—	12,079,600.00	12,079,600.00
Total	<u>\$39,761,631.40</u>	<u>\$45,370,681.38</u>	<u>\$68,312,912.52</u>	<u>\$31,810,487.50</u>	<u>\$33,166,206.42</u>	<u>\$7,871,250.00</u>	<u>\$15,640,450.00</u>	<u>\$223,212,230.56</u>	<u>\$465,145,849.78</u>

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 (the “2015 COPs”). A portion of the proceeds of this issue will be used to refund the 2015 Certificates.

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

Property Taxation System

The collection of property taxes is significant to the District 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 general obligation bonds issued by the District. Second, the general *ad valorem* property tax levy levied in accordance with Article XIII A 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 and operations. 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. LCFF 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 “—2019-20 State Budget Provisions Specific to K through 12 Education” below. As described below, the general *ad valorem* property tax levy, a portion of which is allocated to the District for operating purposes and the additional *ad valorem* property tax levy pledged to repay general obligation bonds issued by the District, 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 44.58% of its total general fund operating revenues from local property taxes in fiscal year 2023-24.

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 (the “SBE”) 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 XIII A 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 all of tax rate areas in the District. 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 SBE 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 beginning the second month after the delinquent date, and 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 respective 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 XIII A 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. The *ad valorem* levy for the payment of general obligation bonds issued by the District is 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 general obligation bonds issued by the District. The following tables show the assessed valuation of taxable property in the District for the ten most recent fiscal years.

TABLE 7
HISTORIC ASSESSED VALUATIONS
Fiscal Years 2015-16 to 2024-25

Orange County Portion					
Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation	% Change
2015-16	\$26,623,875,933	\$ 836,490	\$1,190,903,583	\$27,815,616,006	N/A
2016-17	27,872,949,320	836,490	1,196,019,403	29,069,805,213	4.51
2017-18	29,486,251,651	836,490	1,158,268,668	30,645,356,809	5.42
2018-19	31,332,719,988	2,708,496	1,293,348,964	32,628,777,448	6.47
2019-20	32,941,425,856	3,253,530	1,363,791,469	34,308,470,855	5.14
2020-21	34,922,025,138	3,253,530	1,258,208,197	36,183,486,865	5.47
2021-22	35,800,651,063	3,253,530	1,374,384,551	37,178,289,144	2.75
2022-23	38,065,428,716	4,192,492	1,500,546,689	39,570,167,897	6.33
2023-24	40,605,068,826	4,194,348	1,657,843,239	42,267,106,413	6.82
2024-25	43,183,538,234	4,194,348	1,978,875,591	45,166,608,173	6.86

Los Angeles County Portion					
Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation	% Change
2015-16	\$2,522,233,569	\$ 508	\$11,479,138	\$2,533,713,215	N/A
2016-17	2,630,721,105	16,596	12,348,602	2,643,086,303	4.32
2017-18	2,761,189,932	16,596	12,081,525	2,773,288,053	4.93
2018-19	2,941,689,690	16,596	11,850,902	2,953,557,188	6.50
2019-20	3,087,350,550	16,596	11,305,840	3,098,672,986	4.91
2020-21	3,206,444,465	22,128	11,320,405	3,217,786,998	3.84
2021-22	3,334,655,573	22,128	11,126,898	3,345,804,599	3.98
2022-23	3,553,585,989	22,128	14,854,357	3,568,462,474	6.65
2023-24	3,728,994,030	22,128	15,501,095	3,744,517,253	4.93
2024-25	3,915,718,000	9,144	15,393,589	3,931,120,733	4.98

Total District					
Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation	% Change
2015-16	\$29,146,109,502	\$ 836,998	\$1,202,382,721	\$30,349,329,221	N/A
2016-17	30,503,670,425	853,086	1,208,368,005	31,712,891,516	4.49
2017-18	32,247,441,583	853,086	1,170,350,193	33,418,644,862	5.38
2018-19	34,274,409,678	2,725,092	1,305,199,866	35,582,334,636	6.47
2019-20	36,028,776,406	3,270,126	1,375,097,309	37,407,143,841	5.13
2020-21	38,128,469,603	3,275,658	1,269,528,602	39,401,273,863	5.33
2021-22	39,135,306,636	3,275,658	1,385,511,449	40,524,093,743	2.85
2022-23	41,619,014,705	4,214,620	1,515,401,046	43,138,630,371	6.45
2023-24	44,334,062,856	4,216,476	1,673,344,334	46,011,623,666	6.66
2024-25	47,099,256,234	4,203,492	1,994,269,180	49,097,728,906	6.71

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 property 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 SBE, 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 to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution.

In addition, Article XIII A 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 general obligation bonds issued by the District. 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.

Assembly Bill 102. On June 27, 2017, the Governor of the State (the "Governor") signed into law Assembly Bill 102 ("AB 102"). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

State-Assessed Property. Under the Constitution, the SBE 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 current assessed valuation of each jurisdiction within the boundaries of the District:

TABLE 8
ASSESSED VALUATION BY JURISDICTION⁽¹⁾
Fiscal Year 2024-25

Jurisdiction	Assessed Value in District	% of District	Assessed Value of Jurisdiction	% of Jurisdiction In District
<u><i>Orange County Portion</i></u>				
City of Anaheim	\$ 116,785,228	0.24%	\$63,328,819,782	0.18%
City of Brea	928,389,810	1.89	13,785,804,251	6.73%
City of Buena Park	8,572,996,202	17.46	14,400,607,292	59.53%
City of Fullerton	25,407,644,332	51.75	27,786,577,810	91.44%
City of La Habra	9,232,224,507	18.80	9,232,224,507	100.00%
City of La Palma	855,720,131	1.74	2,753,757,698	31.07%
Unincorporated Orange County	52,847,963	0.11	33,578,577,990	0.16%
Total Orange County	<u>\$45,166,608,173</u>	<u>91.99%</u>		
<u><i>Los Angeles County Portion</i></u>				
City of La Habra Heights	\$ 1,715,410,925	3.49%	\$ 1,876,050,122	91.44%
City of La Mirada	7,945,233	0.02	9,328,830,492	0.09%
City of Whittier	1,039,861,256	2.12	13,837,965,219	7.51%
Unincorporated Los Angeles County	1,167,903,319	2.38	121,819,974,931	0.96%
Total Los Angeles County	<u>\$ 3,931,120,733</u>	<u>8.01%</u>		
 Total District	 <u>\$37,407,143,841</u>	 <u>100.00%</u>		

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.

TABLE 9
ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2024-25

	2024-25 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	\$ 6,676,977	0.01%	115	0.16%
Commercial	5,395,792,007	11.46	3,301	4.62
Industrial	4,471,811,014	9.49	1,181	1.65
Government/Social/Institutional	101,563,029	0.22	993	1.39
Miscellaneous	24,523,026	0.05	398	0.56
Subtotal Non-Residential	<u>\$10,000,366,053</u>	<u>21.23%</u>	<u>5,988</u>	<u>8.38%</u>
Residential:				
Single Family Residence	\$30,758,921,076	65.31%	54,617	76.39%
Condominium/Townhouse	1,770,609,484	3.76	7,125	9.97
Mobile Home Related	28,529,511	0.06	1,555	2.17
Multi-Family Residential	4,540,830,110	9.64	2,212	3.09
Subtotal Residential	<u>\$37,098,890,181</u>	<u>78.77%</u>	<u>65,509</u>	<u>91.62%</u>
Total	<u><u>\$47,009,256,234</u></u>	<u><u>100.00%</u></u>	<u><u>71,497</u></u>	<u><u>100.00%</u></u>

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, including the average and median assessed value per single family homes.

TABLE 10
ASSESSED VALUATION OF SINGLE-FAMILY HOMES
Fiscal Year 2024-25

	No. of Parcels	2024-25 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	54,617	\$30,758,921,076	\$563,175	\$508,385

2024-25 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999	308	0.564%	0.564%	\$ 11,043,356	0.036%	0.036%
\$50,000 - \$99,999	3,571	6.538	7.102	276,827,725	0.900	0.936
\$100,000 - \$149,999	2,280	4.175	11.277	278,953,076	0.907	1.843
\$150,000 - \$199,999	1,971	3.609	14.885	345,677,882	1.124	2.967
\$200,000 - \$249,999	2,647	4.846	19.732	599,854,068	1.950	4.917
\$250,000 - \$299,999	3,541	6.483	26.215	972,236,885	3.161	8.078
\$300,000 - \$349,999	3,422	6.265	32.481	1,110,796,509	3.611	11.689
\$350,000 - \$399,999	3,218	5.892	38.373	1,205,800,989	3.920	15.609
\$400,000 - \$449,999	2,981	5.458	43.831	1,266,975,015	4.119	19.728
\$450,000 - \$499,999	2,869	5.253	49.084	1,362,751,515	4.430	24.159
\$500,000 - \$549,999	2,899	5.308	54.391	1,522,177,743	4.949	29.107
\$550,000 - \$599,999	2,793	5.114	59.505	1,605,228,742	5.219	34.326
\$600,000 - \$649,999	2,944	5.390	64.896	1,840,738,208	5.984	40.310
\$650,000 - \$699,999	2,739	5.015	69.910	1,848,404,714	6.009	46.320
\$700,000 - \$749,999	2,526	4.625	74.535	1,830,577,808	5.951	52.271
\$750,000 - \$799,999	2,211	4.048	78.584	1,711,724,953	5.565	57.836
\$800,000 - \$849,999	1,996	3.655	82.238	1,646,115,161	5.352	63.188
\$850,000 - \$899,999	1,790	3.277	85.515	1,564,582,080	5.087	68.274
\$900,000 - \$949,999	1,458	2.669	88.185	1,346,652,880	4.378	72.652
\$950,000 - \$999,999	1,067	1.954	90.139	1,038,974,799	3.378	76.030
\$1,000,000 and greater	5,386	9.861	100.000	7,372,826,968	23.970	100.000
	<u>54,617</u>	<u>100.000%</u>		<u>\$30,758,921,076</u>	<u>100.000%</u>	

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 general obligation bonds issued by the District 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 general obligation bonds issued by the District 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 property 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 general obligation bonds issued by the District. 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 18.32% of the total assessed value of property in the District.

TABLE 11
TYPICAL *AD VALOREM* TAX RATES
Tax Rates as a Percent of Assessed Valuation

Total Tax Rates (TRA 3-003 – 2024-25 Assessed Valuation: \$8,964,678,424; 18.26% of District Total AV)

	2020-21	2021-22	2022-23	2023-24	2024-25
General Tax Rate ⁽¹⁾	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Fullerton School District	0.02199	0.02213	0.02098	0.01735	0.01771
Fullerton High School District	0.02856	0.02599	0.02589	0.02442	0.02451
North Orange Community College	0.03198	0.02877	0.02778	0.01715	0.01735
Metropolitan Water District	0.00350	0.00350	0.00350	0.00350	0.00700
Total	1.08603%	1.08039%	1.07815%	1.06242%	1.06657%

Source: California Municipal Statistics, Inc.

(1) Maximum rate for purposes other than paying debt service in accordance with Article XIII A of the State Constitution.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIII A 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 with respect to the property located in the District for the most recent fiscal years.

TABLE 12
SECURED TAX CHARGE AND DELINQUENCY
Fiscal Years 2019-20 to 2023-24
(Orange County Portion)

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2019-20	\$54,195,472.90	\$456,635.22	0.84%
2020-21	57,199,120.12	388,061.40	0.68
2021-22	58,235,397.48	407,921.22	0.70
2022-23	61,740,315.05	467,891.41	0.76
2023-24	64,996,141.63	501,671.15	0.77

SECURED TAX CHARGE AND DELINQUENCY
Fiscal Years 2019-20 to 2023-24
(Los Angeles County Portion)

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2019-20	\$ 9,474,317.53	\$68,553.65	0.72%
2020-21	10,233,978.15	60,388.96	0.59
2021-22	9,687,362.16	46,746.39	0.48
2022-23	10,329,864.95	74,494.47	0.7
2023-24	10,371,209.60	77,455.54	0.75

Source: California Municipal Statistics, Inc.

(1) 1% General Fund apportionment. Excludes supplemental property. Los Angeles County information is not available.

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 general obligation bonds issued by the District. 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

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2024-25 which represent approximately 6% of the total fiscal year 2024-25 local secured taxable value.

TABLE 13
LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2024-25

	Property Owner	Primary Land Use	2024-25 Assessed Valuation	% of Total ⁽¹⁾
1.	GLC Fullerton LLC	Industrial	\$ 298,368,410	0.63%
2.	IMP Valentia LP	Apartments	188,781,673	0.40
3.	The Source at Beach LLC	Commercial	188,614,821	0.40
4.	Trea Amplifi Apartments LLC	Apartments	173,709,530	0.37
5.	Comref So Ca Industrial Sub A & P LLC	Industrial	171,168,603	0.36
6.	Wilshire Lambert Road Owner LLC	Industrial	159,120,000	0.34
7.	Centerpointe Properties Trust	Commercial	148,535,744	0.32
8.	Aspect Acquisition LLC	Apartments	146,132,997	0.31
9.	Prologis USLV Subreit 3 LLC	Commercial	136,264,017	0.29
10.	FHF I Amerige Pointe LLC	Apartments	130,850,386	0.28
11.	3503 RP Fullerton Metrocenter Land LLC	Commercial	120,840,901	0.26
12.	CVS Pharmacy Inc.	Industrial	116,429,857	0.25
13.	McComber Creek LLC	Apartments	114,998,652	0.24
14.	Uptown Fullerton LLC	Apartments	112,645,115	0.24
15.	La Habra Association	Commercial	109,654,883	0.23
16.	WPI-Nordahl LLC	Commercial	106,502,095	0.23
17.	Alticor Inc.	Industrial	104,804,982	0.22
18.	Corecare III	Apartments	102,993,992	0.22
19.	University House Fullerton LLC	Apartments	101,955,644	0.22
20.	Rreef America REIT II Corp.	Industrial	99,142,680	0.21
	Total Top 20		<u>\$2,831,514,982</u>	<u>6.01%</u>

Source: California Municipal Statistics, Inc.

(1) 2024-25 Local secured assessed valuation: \$47,099,256,234.

Direct and Overlapping Debt

Direct and Overlapping Debt. Set forth on the following page 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 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.

The first column in the table names each public agency which has outstanding debt as of January 1, 2025, 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.

TABLE 14
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

2024-25 Assessed Valuation: \$49,097,728,906

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/25</u>	
Metropolitan Water District	5.571%	\$ 1,014,479	
North Orange County Joint Community College District	27.171	74,756,843	
Fullerton Joint Union High School District	100.	172,130,000	
Buena Park School District	100.	59,901,366	
Fullerton School District	100.	9,070,000	
La Habra City School District	100.	32,665,539	
Lowell Joint School District	100.	44,950,000	
Fullerton School District Community Facilities Districts	100.	7,875,000	
Fullerton Joint Union High School District Community Facilities District No. 2005-1	100.	940,000	
City of Fullerton Community Facilities District No. 1	100.	9,370,000	
City of Fullerton Community Facilities District No. 2	100.	<u>5,840,000</u>	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$418,513,227	
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	5.571%	\$ 24,533,848	
Orange County Board of Education Certificates of Participation	5.571	558,771	
Los Angeles County General Fund Obligations	0.187	5,919,091	
Los Angeles County Superintendent of Schools Certificates of Participation	0.187	4,360	
North Orange County Regional Occupation Program Certificates of Participation	25.708	1,768,710	
Fullerton Joint Union High School District Certificates of Participation	100.	14,080,000	(1)
Fullerton School District Certificates of Participation	100.	2,185,000	
City of Anaheim General Fund Obligations	0.184	1,047,648	
City of Brea Civic/Cultural Center District	6.734	149,495	
City of Buena Park General Fund and Pension Obligation Bonds	59.532	53,120,404	
City of Fullerton General Fund and Judgment Obligations	91.439	5,074,864	
City of La Habra General Fund Obligations	100.	73,400,000	
City of La Mirada General Fund Obligations	0.085	3,812	
City of Whittier Pension Obligation Bonds	7.515	<u>8,871,833</u>	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$190,717,836	
Less: City supported obligations		<u>2,815,157</u>	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$187,902,679	
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		\$44,576,186	
 GROSS COMBINED TOTAL DEBT		\$653,807,249	(2)
NET COMBINED TOTAL DEBT		\$650,992,092	

Ratios to 2024-25 Assessed Valuation:

Direct Debt (\$172,130,000)	0.35%
Total Direct and Overlapping Tax and Assessment Debt	0.85%
COMBINED DIRECT DEBT (\$186,210,000)	0.38%
Gross Combined Total Debt	1.33%
Net Combined Total Debt	1.33%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$10,749,575,582):

Total Overlapping Tax Increment Debt	0.41%
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Source: California Municipal Statistics, Inc.

(1) Excludes the Certificates of this issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

THE CORPORATION

The Corporation was organized on April 15, 1991, as a California nonprofit public benefit corporation. The Corporation was formed for the specific and primary purposes of benefiting California governmental agencies by participating with such governmental agencies in projects to maintain, improve and assist the activities of such governmental agencies by acquiring, purchasing, selling, leasing or otherwise transferring real and personal property in connection with such projects, and assisting the governmental agencies in financing, acquiring and constructing of such projects, as well as other purposes as specified in the Corporation's articles of incorporation. The Corporation has no financial liability to the owners of the Certificates with respect to the payment of Lease Payments by the District or with respect to the performance by the District of the other agreements and covenants it is required to perform. The Corporation functions as an independent entity and its policies are determined by a board of directors. Under the bylaws of the Corporation, the board of directors of the Corporation consist of at least two but no more than five directors, holding office for terms of six years. The Corporation has no employees, and the directors of the Corporation receive no compensation for work or service performed as Corporation directors.

STATE BUDGET INFORMATION

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information.

General Overview

Financial Stress on State Budget. For the first several fiscal years after the onset of the COVID-19 pandemic the State experienced a series of budget surpluses; however, in the 2024-25 State Budget (defined below), the State projects that it will operate at a deficit for the next several fiscal years. According to the State, there remain a number of other major risks and pressures that threaten the State's financial condition, including potential changes to federal fiscal policies and large unfunded liabilities for PERS and STRS, rising health care costs and trade policy. The State's revenues (particularly the personal income tax) can be volatile and correlate to overall economic conditions. The District is unable to predict the degree to which the COVID-19 pandemic or other factors will materially adversely affect the financial condition of the State.

Cash Management by State and Impact on Schools. To conserve cash in light of declining revenues resulting from the last recession, the State enacted several statutes deferring the payment of amounts owed to public schools, until a later date in the current, or in a subsequent, fiscal year. This technique was used in all of the State's budget bills from fiscal year 2008-09 through fiscal year 2012-13. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year. These deferrals reduced amounts paid to K-12 districts and resulted in deferred payments that at one point totaled more than \$10 billion. These deferrals also created cash flow shortages for certain K-12 districts which required an increased level of cash flow borrowings. In fiscal years 2013-14 and 2014-15, the State repaid the majority of these deferrals and the remaining \$992 million was repaid in fiscal year 2015-16. The State included LCFF apportionment deferrals in its budget for fiscal year 2020-21 but repaid these deferrals in fiscal year 2021-22. The 2024-25 State Budget includes LCFF apportionment deferrals from fiscal year 2023-24 to fiscal year 2024-25 and from fiscal year 2024-25 to fiscal year 2025-26. See "— 2024-25 State Budget."

School Reserves – Senate Bill 858 (“SB 858”) became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the PSSSA, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an ADA of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2.”

The District, which has an ADA of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its General Fund expenditures and other financing uses.

Senate Bill 751 (“SB 751”), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total General Fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions community funded districts and small school districts having fewer than 2,501 units of average daily attendance.

The Series A Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the State Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Series A Bonds as and when due.

2024-25 State Budget

On June 26, 2024, the Governor signed the State budget for fiscal year 2024-25 (the “2024-25 State Budget”). The following information is drawn from the DOF summary of the 2024-25 State Budget.

The 2024-25 State Budget reports that, emerging from the COVID-19 pandemic, the State has experienced significant revenue volatility occasioned by unprecedented revenue growth that was quickly followed by a sharp correction back towards to historical trends, as well as federal and state income tax deadline delays which significantly clouded the State’s revenue forecast. The 2024-25 State Budget estimates that the State is facing a budget shortfall in fiscal year 2024-25 of approximately \$46.8 billion. The 2024-25 State Budget solves the projected deficit through a mix of broad-based measures, including:

- **Reductions** – \$16 billion of reductions to various State programs and operations, including (i) a reduction to State operations of approximately 7.95% beginning in fiscal year 2024-25 to nearly all department budgets, (ii) a permanent reduction of \$1.5 billion by reducing departmental budgets for vacant positions, (iii) an additional reduction of \$358 million (for a total of \$750 million) to the Department of Corrections and Rehabilitation in fiscal years 2022-23 through 2024-25, and (iv) various one-time and ongoing reductions to State programs, including the California Student Housing Loan Program, the Learning-Aligned

Employment Program, the Middle Class Scholarship Program, affordable housing programs, healthcare workforce programs and State and local public health efforts.

- *Revenue and Internal Borrowing* – \$13.6 billion in additional revenue sources and internal borrowings from special funds, including (i) suspension of the Net Operating Loss tax deduction for companies with over \$1 million in taxable income and limits on business tax credits to \$5 million in fiscal years 2024-25 through 2026-27, and (ii) an increase to the managed care organization tax of \$5.1 billion in fiscal year 2024-25, \$4.6 billion in fiscal year 2025-26 and \$4.0 billion in fiscal year 2026-27.
- *Reserves* – The 2024-25 State Budget withdraws \$12.2 billion from the BSA over the next two fiscal years (\$5.1 billion in fiscal year 2024-25 and \$7.1 billion in fiscal year 2025-26), and \$900 million from the Safety Net Reserve in fiscal year 2024-25. The 2024-25 State Budget also withdraws the full balance in the PSSSA (\$5.3 billion) to support LCFF costs in fiscal year 2023-24. The 2024-25 State Budget also authorizes a discretionary payment to the PSSSA in fiscal year 2024-25 of \$1.1 billion. As a result, school reserve caps are not projected to be triggered in fiscal year 2024-25 and 2025-26. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2.”
- *Fund Shifts* – The 2024-25 State Budget shifts \$6.0 billion of expenditures from the State general fund to other funds, including (i) applying a prior CalPERS supplemental pension payment to the State’s overall pension liability, reducing required employer contributions in fiscal year 2024-25 by \$1.7 billion, and (ii) \$3.9 billion from the State general fund to the Greenhouse Gas Reduction Fund to support the Transit and Intercity Rail Capital Program as well as clean energy and other climate programs.
- *Delays and Pauses* – \$3.1 billion of delays to avoid increases in future obligations and potential shortfalls, including (i) delaying for two years the expansion of the California Food Assistance Program, (ii) delaying for two years the implementation of increased pay to providers of assistance to individuals with developmental disabilities, (iii) delaying for two years the expansion of child care slots, and (iv) delaying funding to the Broadband Last Mile program, which provides funding for projects that increase internet access in low income communities, to fiscal year 2027-28.
- *Deferrals* – \$2.1 billion of deferrals in certain State payments, including (i) a deferral of \$3.2 billion (including \$1.6 billion from the State general fund) for one month of State employees’ payroll costs, and (ii) a multi-year deferral of \$524 million for the University of California/California State University compact which advances several shared student goals. The 2024-25 State Budget also authorizes LCFF apportionment deferrals of \$246 million from 2024-25 to 2025-26 (as further described herein).

For fiscal year 2023-24, the 2024-25 State Budget projects total general fund revenues and transfers of \$189.4 billion and authorizes expenditures of \$223.1 billion. The State is projected to end the 2023-24 fiscal year with total reserves of \$26.4 billion, including \$22.6 billion in the BSA, \$2.9 billion in the traditional general fund reserve, and \$900 million in the Safety Net Reserve Fund. The 2024-25 State Budget also authorizes the withdrawal of the full amount on deposit in the PSSSA, leaving a zero balance. For fiscal year 2024-25, the 2024-25 State Budget projects total general fund revenues and transfers of

\$212.1 billion and authorizes expenditures of \$211.5 billion. The State is projected to end the 2024-25 fiscal year with total reserves of \$22.2 billion, including \$3.5 billion in the traditional general fund reserve, \$17.6 billion in the BSA and \$1.1 billion in the PSSSA. The Safety Net Reserve is projected to have a zero balance.

The 2024-25 State Budget sets total funding for all K-12 education programs at \$133.8 billion, including \$81.5 billion from the State general fund and \$52.3 billion from other sources. The minimum funding guarantee in fiscal year 2024-25 is set at \$115.3 billion. The 2024-25 State Budget also makes retroactive changes to the minimum funding guarantee in fiscal years 2022-23 and 2023-24, setting them at \$103.7 billion and \$98.5 billion, respectively. The 2024-25 State Budget suspends the minimum funding guarantee in fiscal year 2023-24, creating a maintenance factor obligation of approximately \$8.3 billion in fiscal year 2023-24, and is projected to create a maintenance factor obligation of approximately \$4.1 billion in fiscal year 2024-25, which will be paid in addition to the guarantee for fiscal year 2024-25. The 2024-25 State Budget projects Test 1 of the guarantee to be in effect in fiscal year 2024-25. To accommodate enrollment increases related to the expansion of Transitional Kindergarten, the 2024-25 State Budget rebenchs the Test 1 percentage, from approximately 38.6% to 39.2%, to increase the percentage of State general fund revenues that count towards the minimum funding guarantee.

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

- *LCFF* – The 2024-25 State Budget includes an LCFF COLA of 1.07%. When combined with population growth adjustments, this would result in an increase of roughly \$983 million in discretionary funds for local educational agencies, as compared to the level set in the prior State budget. To fully fund the LCFF, the 2024-25 State Budget authorizes the withdrawal of the full balance in the PSSSA to support ongoing LCFF costs in fiscal year 2023-24, and uses available reappropriation and reversion funding totaling \$253.9 million to support ongoing LCFF costs in 2024-25. The 2024-25 State Budget also provides \$89.2 million in ongoing Proposition 98 funding to reflect a 1.07% COLA for specified categorical programs.
- *Deferrals* – The 2024-25 State Budget reflects LCFF apportionment deferrals from fiscal year 2023-24 to fiscal year 2024-25 of approximately \$3.6 billion, and from fiscal year 2024-25 to fiscal year 2025-26 of approximately \$246 million. Additionally, the 2024-25 State Budget reflects approximately \$2.3 billion in categorical program deferrals from fiscal year 2022-23 to fiscal year 2023-24, with the deferral amount being repaid using funds on deposit in the PSSSA.
- *Teacher Preparation and Professional Development* – \$25 million in one-time Proposition 98 funding to support training for educators to administer literacy screenings. The 2024-25 State Budget also provides \$20 million in one-time Proposition 98 funding for county offices of education to develop and provide training for mathematics coaches and leaders to support the delivery of high-quality math instruction.
- *Transitional Kindergarten* – \$988.7 million in Proposition 98 funding to support the second year (the 2023-24 school year) of expanded eligibility for TK, shifting age eligibility from all children turning five years old between September 2 and February 2 to all children turning such age between September 2 to April 2 (approximately 36,000 additional children). In connection with this expansion, the 2024-25 State Budget provides \$390.2 million in Proposition 98 funding to support one additional certificated or classified staff

person for every TK class. Additionally, the 2024-25 State Budget provides \$1.5 billion in ongoing Proposition 98 funding to support the third year (the 2024-25 school year) of expanded eligibility for TK, shifting age eligibility for all children turning five years old between September 2 and April 2 to all children turning such age between September 2 and June 2 (approximately 38,000 additional children). In connection with this expansion, the 2024-25 State Budget provides \$515.5 million in ongoing Proposition 98 funding to support one additional certificated or classified staff person for every TK class.

- *Facilities* – The 2024-25 State Budget delays \$550 million of funds approved as part of previous State budgets to support the construction of new school facilities or the retrofit of existing facilities for the purpose of providing TK, full-day kindergarten or preschool classrooms. The 2024-25 State Budget also forgoes a previously planned investment of \$875 million in the State School Facilities Program.
- *Home-to-School Transportation* – The 2024-25 State Budget eliminates \$500 million in previously planned one-time Proposition 98 funding to support the greening of school bus fleets.
- *Nutrition* – An increase of \$179.4 million in ongoing Proposition 98 funding, and an additional \$120.8 million in one-time Proposition 98 funding, to fully fund the universal school meals program in 2023-24 and 2024-25.
- *Employee Assistance* – \$9 million in one-time Proposition 98 funding to provide supplemental pay for classified school staff during intersessional months when they are not employed.
- *Instruction* – \$907.1 million to support Proposition 28, the Arts and Music in Schools Funding Guarantee and Accountability Act, in fiscal year 2024-25. The 2024-25 State Budget also provides \$7 million in one-time Proposition funding to support inquiry-based science instruction and assessment through the development of a bank of curriculum-embedded performance tasks. Finally, the 2024-25 State Budget provides \$5 million in one-time Proposition 98 funding to support the California Teachers Collaborative for Holocaust and Genocide Education.
- *After School Programs* – \$5 million in one-time State general fund support for after school programs in rural school districts.
- *Technology Support* – \$3.4 million, of which \$380,000 is ongoing, to support the replacement of critical computer servers, maintain warranty coverage for network infrastructure and refresh laptops, tablets and workstations for students and staff at State special schools and diagnostic centers. The 2024-25 State Budget also provides \$3.2 million in ongoing Proposition 98 funding to support the K-12 High Speed Network program.

For additional information regarding the 2024-25 State Budget, see the DOF and LAO websites at www.dof.ca.gov and www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by any reference.

Proposed 2025-26 State Budget

On January 10, 2025, the Governor released the proposed State budget for fiscal year 2025-26 (the “Proposed 2025-26 Budget”). The following is drawn from the DOF and LAO summaries of the Proposed 2025-26 Budget.

The Proposed 2025-26 Budget reports that the State begins 2025 in a stronger fiscal position than it has in recent years. The State experienced significant budget shortfalls in recent years due to the combination of extreme revenue volatility and an unprecedented federal tax filing delay. The economy performed better than projected in the 2024-25 Budget leading to an upgrade to the forecast in the near term and modest upward revisions in the long term. The stronger-than-anticipated performance of the economy, stock market, and cash receipts, combined with an improved economic outlook, have all contributed to the upgraded revenue forecast, with general fund revenues before accounting to transfers and tax policy proposals projected to be higher by approximately \$16.5 billion (or \$9 billion, as calculated by the LAO) in the three-year budget window. The Proposed 2025-26 Budget recognizes several risk factors that could affect the economy and State revenues, including stock market and asset price volatility and declines, as well as geopolitical instability. Although the Proposed 2025-26 Budget anticipates shortfalls in subsequent fiscal years that are driven by expenditures exceeding revenues, additional decisions may be necessary at the May revision to maintain a balanced budget, not only in the coming year, but also on an ongoing basis.

The 2024-25 State Budget assumed withdrawals from the BSA of approximately \$5.1 billion in 2024-25 and \$7.1 billion in 2025-26 in order to provide for a balanced budget. The Proposed 2025-26 Budget maintains the \$7.1 billion withdrawal from the BSA for 2025-26. In order to address revenue volatility and increase budget resiliency, the Proposed 2025-26 Budget proposes statutory changes to allow the State to save even more during economic upswings. Under current law, a deposit to the BSA is counted as an expenditure and is therefore not exempt from Proposition 4’s State Appropriations Limit. The Proposed 2025-26 Budget proposes to increase the mandatory deposit level in the BSA from the current 10 percent to 20 percent of general fund revenues and exempt deposits into the BSA from the State Appropriations limit. The increased reserves would allow the State to weather future revenue volatility and avoid needing to make reductions, deferrals and funding delays during revenue downswings or other emergencies.

For fiscal year 2024-25, the Proposed 2025-26 Budget projects total general fund revenues and transfers of \$222.5 billion and authorizes expenditures of \$232.1 billion. The State is projected to end the 2024-25 fiscal year with total reserves of \$27.4 billion, including \$18.0 billion in the BSA, \$8.3 billion in traditional general fund reserves and \$1.2 billion in the PSSSA. The Safety Net Reserve is projected to have a zero balance. For fiscal year 2025-26, the Proposed 2025-26 Budget projects total general fund revenues and transfers of \$225.1 billion and authorizes expenditures of \$228.9 billion. The State is projected to end the 2025-26 fiscal year with total reserves of \$16.9 billion, including \$4.5 billion in the traditional general fund reserve, \$10.9 billion in the BSA and \$1.5 billion in the PSSSA. The Safety Net Reserve is projected to have a zero balance.

The Proposed 2025-26 Budget sets total funding for all TK-12 education programs at \$137.1 billion, including \$83.3 billion from the State general fund and \$53.8 billion from other sources. TK-12 per-pupil funding totals \$24,764, including \$18,918 from Proposition 98 sources. The minimum funding guarantee in fiscal year 2025-26 is set at \$118.9 billion. The Proposed 2025-26 Budget also makes retroactive changes to the minimum funding guarantee in fiscal years 2023-24 and 2024-25, setting them at \$98.5 billion and \$119.2 billion, respectively. The revisions to the minimum funding guarantee represent an increase of

approximately \$7.5 billion of the three-year period relative to the 2024-25 State Budget. Due to the inherent risk in revenue projections, the Proposed 2025-26 Budget appropriates \$117.6 billion, instead of the currently calculated level of \$119.2 billion in 2024-25 in order to mitigate the risk of potentially appropriating more resources to the minimum funding guarantee than are available in the final calculation for 2024-25. Potential adjustments will be evaluated at the May Revision for fiscal year 2024-25 and will not be final until the certification of the fiscal year 2024-25 minimum funding guarantee. The Proposed 2025-26 Budget projects Test 1 of the guarantee to be in effect in for fiscal years 2024-25 and 2025-26. To accommodate enrollment increases related to the expansion of Universal Transitional Kindergarten (further described below), the Proposed 2025-26 State Budget rebenchs the Test 1 percentage, from approximately 39.2% to 39.6%, to increase the percentage of State general fund revenues that count towards the minimum funding guarantee.

Other significant features relating to TK-12 education funding include the following:

- *LCFF* – The Proposed 2024-25 Budget includes an LCFF COLA of 2.43%. When combined with population growth adjustments, this would result in an increase of roughly \$2.5 billion in discretionary funds for local educational agencies. Budgetary deferrals of \$246.6 million are fully repaid in 2025-26. To fully fund the LCFF and maintain the level of past year principal apportionments, the Proposed 2025-26 Budget uses available reappropriation and reversion funding totaling \$25.9 million to support ongoing LCFF costs in fiscal year 2023-24 and deferring LCFF funding totaling \$35.1 million from fiscal year 2023-24 to fiscal year 2024-25. This one-time deferral is fully repaid in fiscal year 2024-25. The Proposed 2025-26 Budget provides a revised fiscal year 2024-25 mandatory payment of roughly a \$1.2 billion into the PSSSA and a \$376 million mandatory payment into the PSSSA for fiscal year 2025-26, which provides a revised \$1.5 billion balance in the PSSSA at the end of fiscal year 2025-26. The Proposed 2025-26 Budget also provides \$204 million in ongoing Proposition 98 funding to reflect a 2.43% COLA for specific categorical programs and the LCFF Equity Multiplier. Finally, the Proposed 2025-26 Budget reflects \$12.2 million in ongoing Proposition 98 funding to reflect ADA changes applicable to county offices of education LCFF, and a 2.43% COLA.
- *Universal Transitional Kindergarten* – \$2.4 billion in ongoing Proposition 98 funding to support the full implementation of universal transitional kindergarten so that all children who turn 4 years old by September 1 of the school year can enroll (providing access to roughly 60,000 additional children). The Proposed 2025-26 Budget also provides an additional \$1.5 billion in ongoing Proposition 98 funding to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every transitional kindergarten classroom, and \$10 million in one-time Proposition 98 funding for statewide use of English language proficiency screeners to support multilingual learnings in transitional kindergarten.
- *Before School, After School and Summer School* – \$435 million in additional ongoing Proposition 98 funding to cover the costs of increasing the number of TK-6 grade local educational agencies that offer universal access to students, from those with an unduplicated pupil percentage of 75 percent to those with 55 percent unduplicated students as part of the full implementation of the Expanded Learning Opportunities Program, which increases the total ongoing funding for the program to \$4.4 billion.

- *Literacy Instruction* – The Proposed 2025-26 Budget provides one-time Proposition 98 funding of \$500 million for TK-12 literacy and mathematics coaches and \$40 million to support necessary costs, including purchasing screening materials and training for educators, to administer literacy examinations. The one-time funds augment funds provided in previous budgets in support of implementing the State’s English Language Arts/English Language (“ELA/ELD”) Framework. The Proposed 2025-26 Budget also provides \$5 million annually through 2029-30 to launch a Literacy Network within the State System of Support and directs the Quality Commission to initiate follow-up adoption for instructional materials and to develop a curriculum guide and resources in personal finance.
- *Teacher Preparation and Professional Development* – \$150 million in one-time Proposition 98 funding to provide financial assistance for teacher candidates through the new Teacher Recruitment Incentive Program to address staffing shortages. The Proposed 2025-26 Budget also provides an additional \$100 million in one-time Proposition 98 funding to extend the timeline of the existing National Board Certification Program to support National Board Certified teachers to teach and mentor other instructional staff in high poverty schools.
- *Student Support and Professional Development Discretionary Block Grant* – \$1.8 billion in one-time Proposition 98 funds for a discretionary block grant. The funds will provide local educational agencies with additional fiscal support to address rising costs, as well as fund statewide priorities including: (i) professional development for teachers ELA/ELD Framework and the Literacy Roadmap; (ii) professional development for teachers on the Mathematics Framework; (iii) teacher recruitment and retention strategies; and (iv) career pathways and dual enrollment expansion efforts.
- *Learning Recovery Emergency Block Grant* – \$378.6 million one-time Proposition 98 funding to support the Learning Recovery Emergency Block Grant, which supports local educational agencies in establishing learning recovery initiatives through the 2027-28 school year.
- *Nutrition* – An increase of \$106.3 million in ongoing Proposition 98 funding to fully fund the universal school meals program in fiscal year 2025-26.
- *Kitchen Infrastructure and Training* – \$150 million in one-time Proposition 98 funding for specialized kitchen equipment, infrastructure, and training to support schools in providing more freshly prepared meals made with locally grown ingredients.
- *Local Property Tax Adjustments* – \$150 million in one-time Proposition 98 funding for school districts and county offices of education in fiscal year 2024-25, and a decrease of \$1.5 billion ongoing Proposition 98 funding for school districts and county offices of education in fiscal year 2025-26, resulting from increased offsetting property taxes.
- *TK-12 High Speed Network Support* – \$5 million in one-time State general fund support for after school programs in rural school districts.

For additional information regarding the Proposed 2025-26 Budget, see the DOF and LAO websites www.dof.ca.gov and www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by any reference.

Future Actions and Events

The District cannot predict what additional actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. The COVID-19 pandemic has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels. In addition, a resurgence of the COVID-19 pandemic, or the outbreak of a new pandemic, could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See "DISTRICT FINANCIAL MATTERS-Considerations Regarding COVID-19." State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Series A Bonds would not be directly impaired by the events described above.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

The constitutional and statutory provisions discussed in this section have the potential to affect the ability of the District to levy taxes and spend tax proceeds for operating and other purposes.

Article XIII A of the California Constitution

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a “purchase” or “change of ownership” triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or “severely disabled homeowners” who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are “severely disabled,” to transfer the old residence’s assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of “new construction” certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of the property damaged or destroyed in a disaster.

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property.

Section 4 of Article XIII A also provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is Fiscal Year 1978-79. Increases in appropriations by a governmental entity are

also permitted (1) if financial responsibility for providing services is transferred to the governmental entity, or (2) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (1) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (2) the investment of tax revenues and (3) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the District over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for the District in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the District's option, either (1) the percentage change in California per capita personal income, or (2) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth and change in attendance at local school and community college ("K-14") districts.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

Articles XIII C and XIII D (Proposition 218) of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the District, to levy and collect both existing and future taxes and assessments, fees and charges.

Section 2 of Article XIII C requires majority voter approval for the imposition, extension or increase of general taxes and requires two thirds voter approval for the imposition, extension or increase of special taxes. These voter approval requirements of Article XIII C reduce the flexibility of the District to raise revenues by the levy of general or special taxes and, given such voter approval requirements, no assurance

can be given that the District will be able to enact, impose, extend or increase any such taxes in the future to meet increased expenditure requirements.

Although a portion of the District's General Fund revenues are derived from general taxes purported to be governed by Proposition 218, all of such taxes were either imposed, extended or increased prior to the effective date of Proposition 218 or in accordance with the requirements of Proposition 218. No assurance can be given that the voters of the District will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges, such as the TOT, Proposition 172 revenues, or storm water fees which support the District's General Fund. TOT and other local taxes, assessments, fees and charges, could be subject to reduction or repeal by initiative under Proposition 218.

Section 3 of Article XIII C 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. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges that 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 Article XIII C to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996.

"Fees" and "charges" are not expressly defined in Article XIII C or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIII C and Article XIII D ("SB 919"). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virgil* (Kelley) (the "Bighorn Decision") that charges for ongoing water delivery are fees and charges within the meaning Section 3 of Article XIII C. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIII C. The Bighorn Decision has been interpreted to mean that ongoing water delivery charges are also property-related fees and charges within the meaning of Article XIII D.

In the Bighorn Decision, the Supreme Court stated that nothing in Section 3 of Article XIII C authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water and wastewater service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution.

Article XIII C also removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the District

will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the District's General Fund. "Assessments," "fees" and "charges" are not defined in Article XIIIC, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIIIC as for Article XIIID described below. If not, the scope of the initiative power under Article XIIIC potentially could include any General Fund local tax, assessment, or fee not received from or imposed by the federal or State government or derived from investment income.

If the District is unable to continue to collect assessment revenues for a particular program, the program might have to be curtailed and/or funded by the District's General Fund. Given the approval requirements imposed by Article XIIID, the District is unable to predict whether it will be able to continue to collect assessment revenues for these programs. If the District chose to fund any such programs from the General Fund instead, the General Fund budget would be affected.

Article XIIID defines a "fee" or "charge" as any levy other than an ad valorem tax, special tax, or assessment imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A "property-related service" is defined as "a public service having a direct relationship to a property ownership" herein. Article XIIID further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership. In the Bighorn Decision, the Supreme Court stated that ongoing water delivery charges are also property-related fees and charges within the meaning of Article XIIID.

Article XIIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a "fee" or "charge" as defined in Article XIIID, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIIID also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Depending on the interpretation of what constitutes a "property-related fee" under Article XIIID, there could be future restrictions on the ability of the District's General Fund to charge its enterprise funds for various services provided. In the event that fees and charges of enterprise funds cannot be appropriately increased or are reduced pursuant to exercise of the initiative power, the District may have to decide whether to supplement any deficiencies in these enterprise funds with moneys from the General Fund or to curtail service, or both.

The interpretation and application of Proposition 218 will ultimately be determined by the courts or through implementing legislation with respect to a number of the matters described above, and it is not possible at this time to predict with certainty the outcome of such determination or the nature or scope of any such legislation.

Both Articles XIII A and XIII B, as well as Articles XIII C and XIII D described above, were adopted as measures that qualified for the ballot pursuant to California's constitutional initiative process. From time-to-time other initiative measures could be adopted, affecting the ability of the District to increase revenues and to increase appropriations.

Proposition 1A of 2004

The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the VLF. The legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State "mandates" a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has "suspended" mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

The 2004 Budget Act, related legislation and the enactment of Proposition 1A of 2004 (described below) dramatically changed the State-local fiscal relationship. These constitutional and statutory changes implemented an agreement negotiated between the Governor and local government officials (the "State-local agreement") in connection with the 2004 Budget Act.

One change related to the reduction of the VLF rate from 2% to 0.65% of the market value of the vehicle. In order to protect local governments, which had previously received all VLF revenues, the 1.35 percent reduction in VLF revenue to cities and counties from this rate change was backfilled by an increase in the amount of property tax revenues they receive. This worked to the benefit of local governments, because the backfill amount annually increases in proportion to the growth in secured roll property tax revenues, which has historically grown at a higher rate than VLF revenues. Proposition 1A of 2004 requires the State to provide local governments with equal replacement revenues.

On November 3, 2004, the voters of the State approved Proposition 1A ("Proposition 1A of 2004"). Proposition 1A of 2004 amended the State Constitution to, among other things, reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property tax, sales tax, and VLF revenues as of November 3, 2004. Pursuant to Proposition 1A of 2004, the State is able to borrow up to 8% of local property tax revenues but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approve the borrowing. Any amounts borrowed are required to be repaid within three years. Proposition 1A of 2004 also permits the State to borrow from local property tax revenues for no more than two fiscal years within a period of 10 fiscal years, and only if previous borrowings have been repaid. In addition, the State cannot reduce the local sales tax rate or restrict the authority of the local

governments to impose or change the distribution of the statewide local sales tax. Proposition 1A of 2004 generally prohibits the State from mandating activities on cities, counties, or special districts without providing the funding needed to comply with the mandates, and if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties, or special districts to abide by the mandate is suspended. Proposition 1A of 2004 also expanded the definition of what constitutes a mandate to encompass State action that transfers to cities, counties, and special districts financial responsibility for a required program for which the State previously had partial or complete responsibility. The State mandate provisions of Proposition 1A of 2004 do not apply to schools or community colleges or to mandates relating to employee rights.

Pursuant to statutory changes made in conjunction with amendments to the fiscal year 2008-09 State Budget Act, the Fiscal Year 2009-10 State Budget Act and related budget legislation adopted by the State Legislature and signed by the Governor in February 2012 (collectively, the “February 2012 Budget Package”), the VLF rate increased from 0.65% to 1.15% effective May 19, 2012. Of this 0.50% increase, 0.35% will flow to the State General Fund, and 0.15% will support various law enforcement programs previously funded by the State General Fund.

Proposition 22

Proposition 22 (“Proposition 22”), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State’s ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See “ – Proposition 1 A of 2004” herein. In addition, Proposition 22 generally eliminates the State’s authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase schools’ and community college districts’ share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The LAO states that Proposition 22 will prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO anticipated that Proposition 22 would require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow need. The District does not believe that Proposition 22 will have a significant impact on its revenues and expenditures.

Proposition 26

Proposition 26 (“Proposition 26”), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of “taxes.” Proposition 26 re-categorizes many

State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a “tax” means a levy, charge or exaction of any kind imposed by a local government, except (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; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the District’s fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

Proposition 19

On November 3, 2020, State voters approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment (“Proposition 19”), which will: (i) expand special rules that give property tax savings to homeowners that are over the age of 55,

severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District.

Taxpayer Protection and Government Accountability Act Initiative

On February 1, 2023, the California Secretary of State announced that a ballot initiative, designated as Initiative 1935 and known as the “Taxpayer Protection and Government Accountability Act,” had received the required number of signatures to appear on the November 5, 2024 ballot.

If approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election, Initiative 1935 would make numerous significant changes to Articles XIII, XIII A, XIII C and XIII D of the California Constitution to further limit the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. The full text of Initiative 1935 may be viewed at the website of the California Attorney General.

The District cannot predict whether Initiative 1935 will be approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election. If Initiative 1935 is approved, the District cannot provide any assurances as to the effect of the implementation or judicial interpretations of Initiative 1935 on the finances of the District, the County, or the State.

Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D, Propositions 1A, 22, 26 and 19 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the District or local districts to increase revenues or to increase appropriations which may affect the District’s revenues or its ability to expend its revenues.

RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Certificates. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Certificates, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Certificates are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Certificates. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Lease Payments Are Not Debt

The obligation of the District to make the Lease Payments under the Lease Agreement does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of

taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to make Lease Payments does not constitute a debt of the District, the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement to pay the Lease Payments from any source of legally available funds and the District has covenanted in the Lease Agreement that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for the Lease Payments. The District is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments, or which the District, in its discretion, may determine to pay prior to the Lease Payments.

The District has the capacity to enter into other obligations payable from the District's General Fund without the consent of or prior notice to the Owners of the Certificates. To the extent that additional obligations are incurred by the District, the funds available to make Lease Payments may be decreased. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other municipal services before making Lease Payments. The same result could occur if, because of State constitutional limits on expenditures, the District is not permitted to appropriate and spend all of its available revenues. The District's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the District's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B of the California Constitution."

Valid and Binding Covenant to Budget and Appropriate

Pursuant to the Lease Agreement, the District covenants to take such action as may be necessary to include Lease Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon delivery of the Certificates, Special Counsel will render its opinion (substantially in the form of APPENDIX D—FORM OF SPECIAL COUNSEL OPINION) to the effect that, subject to the limitations and qualifications described therein, the Lease Agreement constitutes a valid and binding obligation of the District.

Additional Obligations of the District

The Lease Agreement does not prohibit the District from incurring additional lease and other obligations payable from the District's General Fund. In that regard, the District may, from time to time, incur General Fund obligations to finance public improvements (see "OTHER CITY FINANCIAL INFORMATION—Long-Term General Fund-Secured Obligations"), which may also include lease obligations payable from its General Fund.

Cash Management

The District has numerous internal or external means to manage its cash flow, including but not limited to interfund borrowing, intrafund borrowing and tax and revenue anticipation notes which may be employed to the extent the District Council is required to make budget adjustments in order to maintain a

balanced budget. If the District does not take required actions and the budget remains out of balance, the cash requirements of the District may exceed available cash flow. The ability of the District to borrow on an interim basis to meet any cash shortfalls also may be limited if the budget remains out of balance for a sustained period of time. See “CITY FINANCIAL INFORMATION.”

Abatement

In the event of loss or substantial interference in the use and possession by the District of all or any portion of the Property caused by material damage, title defect, destruction to or condemnation of the Property, Lease Payments will be subject to abatement. In the event that such component of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the District’s rental interruption insurance will be available in lieu of Lease Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such component of the Property or prepayment of the Certificates, there could be insufficient funds to make payments to Owners in full. Reduction in Lease Payments due to abatement as provided in the Lease Agreement does not constitute a default thereunder.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

No Acceleration Upon Default

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement and the Trustee is not empowered to foreclose or sell a fee simple interest in the Property and use the proceeds of such sale to prepay the Certificates or pay debt service thereon. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest as described below. See “—Limitations on Remedies.”

Risk of Uninsured Loss

The District covenants under the Lease Agreement to maintain certain insurance policies on the Property. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance.” The District does not insure its facilities against the risk of earthquake. Additionally, the Property could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Lease Payments could occur and could continue indefinitely. There can be no assurance that the providers of the District’s casualty and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Property will be sufficient to prepay the Certificates.

Under the Lease Agreement the District is required to obtain casualty insurance which provides for a deductible up to \$250,000. Should the District be required to meet such deductible expenses, the availability of General Fund revenues to make Lease Payments may be correspondingly affected.

Eminent Domain

If the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Property is taken permanently, or if the Property or any part thereof is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Lease Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the District and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property. The District covenants in the Lease Agreement to contest any eminent domain award which is insufficient to either: (i) prepay the Lease Payments in whole, if all the Property is condemned; or (ii) prepay a pro rata share of Lease Payments, in the event that less than all of the Property is condemned.

Public Health Emergencies

The COVID-19 Pandemic commenced in approximately March 2020 and resulted in a global public health crisis that was fluid and unpredictable with unknown financial and economic impacts. While the health emergency and related declarations have ceased, the District continues to assess the full impacts that the COVID-19 Pandemic has had either directly or indirectly on its operations and finances.

There could be future outbreaks of other COVID-19 variants or other public health emergencies that could have material adverse effects on tourism to the District and the District's operations and finances.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous, but which has not been released or the release of which is not presently threatened or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous, but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

The District is unaware of the existence of hazardous substances on the Property site which would materially interfere with the beneficial use thereof.

Natural Calamities

General. From time to time, the District has been and could be subject to natural calamities, including, but not limited to, earthquakes, severe weather, wildfire, or volcanic activity, that may adversely affect economic activity in the District, and which could have a negative impact on District finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to persons, property and structures in the District and could have a substantial negative effect on the District's General Fund. The following is a summary of certain natural calamities that have affected the District and the Counties and are likely to continue to occur in the future.

Drought. The Counties and the District depend on groundwater and surface water, which are susceptible to drought. Droughts are a regular feature in California and are almost certain to continue to occur, with varying severity and duration. Any local drought conditions may impact the water supply systems in the Counties and the District, as there is no infrastructure to import water from elsewhere in California and, due to the location of the Counties in the upper portion of the watershed, there is little possibility to divert water from other areas without the cost of pipelines and pumping.

Flood. Like most of California, the District is subject to unpredictable seasonal rainfall, with periods of intense and sustained precipitation occurring every few years. The Property is not located in the 100-year floodplain.

Seismic. The District, like most regions in the State of California, is located in an area of seismic activity and, therefore, could be subject to potentially destructive earthquakes. The occurrence of severe seismic activity in or near the District could result in substantial damage and could lead to successful appeals for reduction of assessed values of property. Such a reduction of assessed valuations could result in a reduction of the general fund revenues available to pay the Certificates.

If there were to be an occurrence of severe seismic activity in the District, there could be substantial damage to and interference with the District's right to use and occupy all or a portion of the Property, which could result in Lease Payments being subject to abatement. See "—Abatement" above. Damage resulting from such an event could have a material adverse effect on the District's financial condition as well, through unexpected recovery costs and reduced tax and other revenues.

Climate Change. Climate change caused by human activities may have adverse effects on the District and its finances. Projections of the impacts of global climate change on the District are complex and depend on many factors that are outside the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when and where the adverse impacts of climate change will occur or the extent of such impacts. While the impacts of climate change may be mitigated by the District's past and future investment in adaptation strategies, the District can give no assurance about the net effects of those strategies and whether the District will be required to take additional adaptive mitigation measures.

Hazard Mitigation Plan. The District and the Counties have adopted a regularly updated multi-jurisdictional hazard mitigation plan (the “Hazard Mitigation Plan”) that analyzes and discusses the above-mentioned natural calamities and lays out mitigation measures.

Potential Impact of State Financial Condition on the District

During the 2008-09 recession, the State faced a structural deficit that resulted in substantial annual deficits and reductions in expenditures. Although the State has had a budget surplus in the more recent fiscal years, according to the State there remain a number of major risks and pressures that threaten the State’s financial condition, including the threat of recession, potential changes to federal fiscal policies and unfunded long-term liabilities of more than \$200 billion related to pensions and other post-retirement benefits. These risks and financial pressures could result in future reductions or deferrals in amounts payable to the District. The State’s financial condition and budget policies affect local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the District, the District will be required to adjust its budget. State budget policies can also impact conditions in the local economy and could have an adverse effect on the local economy and the District’s major revenue sources.

No prediction can be made by the District as to whether the State will encounter budgetary problems in future fiscal years, and if it were to do so, 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 future State budget negotiations, the impact that such budgets will have on District finances and operations or what actions will be taken in the future by the Legislature and the Governor to deal with changing State revenues and expenditures. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the District. Current and future State budgets will be affected by national and State economic conditions and other factors over which the District has no control (see “STATE BUDGET INFORMATION”). The ability of the State to divert funds from the District has been limited by Proposition 1A and Proposition 22, which are discussed herein. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS.”

Risk of Changing Economic Conditions

While the District has historically enjoyed strong economic and financial performance, the District faces several long-term financial challenges including climate change and natural disasters, public health emergencies, changes to the economy of the region and the nation, and the management of pension and post-employment retirement obligations. While the District has adopted measures and policies to better position its operating budgets for future risks and future economic downturns, such measures may not be sufficient.

Pension Benefit Liability

Many factors influence the amount of the District’s pension benefit liabilities, including, without limitation, inflationary factors, changes in statutory provisions of CalPERS retirement system laws, changes in the level of benefits provided or in the contribution rates of the District, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods (including but not limited to the assumed rate of return), mortality rates, and differences between actual and anticipated investment experience of CalPERS. Any of these factors could give rise to additional liability of the District to its

pension plans as a result of which the District would be obligated to make additional payments to its pension plans in order to fully fund the District's obligations to its pension plans.

Risks Related to Cyber Security

The District relies on computers and technology to conduct its operations. The District and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. The District owns and operates its own enterprise class data network serving the District and its operations. The District has retained information technology professionals to support, maintain and protect these operations locally in a purpose-built and physically secure environment. This network and its operations are governed by and in compliance with all applicable governmental regulations as well as the District's own administrative regulations. Within the District's operations and guidance is an active cyber-security program designed to protect from, and to quickly identify and mitigate, a multitude of complex security threats. While no network is completely immune from all possible compromise, the District exercises its due diligence in protecting the data it possesses and the systems it operates. To date, there have been no significant cyber-attacks on the District's computers and technologies.

The District has cyber-insurance. Additionally, the District conducts employee training programs for cybersecurity related matters and has a continuity plan which is regularly tested. The District's servers are backed up offsite each day and the District's systems have insider protection to protect against deletion.

While the District routinely maintains its technology systems and continuously implements new information security controls, no assurances can be given that the District's security and operational control measures will be successful in guarding against all cyber threats and attacks. The results of any attack on the District's computer and technology could negatively impact the District's operations, and the costs related to such attacks could be substantial.

Bankruptcy

The District is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the District may seek voluntary protection from its creditors for purposes of adjusting its debts. A District bankruptcy petition could have a material adverse effect on the payment of the Certificates. The following paragraphs present a discussion of certain potential consequences surrounding a potential District bankruptcy. It is not intended to be an exhaustive discussion of all potential adverse consequences or potential outcomes.

In the event the District were to become a debtor under the Bankruptcy Code, the District would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the District or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the District; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Certificates; and (iv) the possibility of the adoption of a plan for the adjustment of the District's debt (a "Plan") without the consent of the Trustee

or all of the Owners of Certificates, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the District could either reject the Lease Agreement or assume the Lease Agreement despite any provision of the Lease Agreement which makes the bankruptcy or insolvency of the District an event of default thereunder. In the event the District rejects the Lease Agreement, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Lease Agreement and the District's obligations to make payments thereunder.

Early Redemption Risk

Early redemption of the Certificates may occur in whole or in part without premium, on any date if the Property or a portion thereof is lost, destroyed or damaged beyond repair or taken by eminent domain or from the proceeds of title insurance (see "THE CERTIFICATES—Redemption").

Limitations on Remedies

The enforcement of any remedies provided in the Lease Agreement and the Trust Agreement could prove both expensive and time consuming. Although the Lease Agreement provides that if the District defaults the Trustee may enter the Property and re-let the Property, portions of the Property may not be easily recoverable, and even if recovered, could be of little value to others because of the Property's specialized nature. Additionally, the Trustee may have limited ability to re-let the Property to provide a source of rental payments sufficient to pay the principal of and interest with respect to the Certificates so as to preserve the tax-exempt nature of interest with respect to the Certificates. Furthermore, due to the governmental nature of the Property, it is not certain whether a court would permit the exercise of the remedy of re-letting with respect thereto.

Alternatively, the Trustee may terminate the Lease Agreement and proceed against the District to recover damages pursuant to the Lease Agreement. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

The rights of the Owners of the Certificates are subject to certain limitations on legal remedies against cities, redevelopment agencies and other governmental entities in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Certificates may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the District were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners,

the Trustee and the Corporation could be prohibited or severely restricted from taking any steps to enforce their rights under the Lease Agreement and from taking any steps to collect amounts due from the District under the Lease Agreement.

Special Counsel has limited its opinion as to the enforceability of the Lease Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Certificates are not subject to acceleration in the event of the breach of any covenant or duty under the Lease Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Secondary Market Risk

There can be no assurance that there will be a secondary market for purchase or sale of the Certificates, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the District.

Changes in Law

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the General Fund revenues of the District and consequently, having an adverse effect on the security for the Certificates.

Risks Relating to the Policy

In the event of default of the payment of principal and interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory sinking fund or optional redemption of the Certificates by the District which is recovered by the District from the Owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by AG at such time and in such amounts as would have been due absent such prepayment by the District unless AG chooses to pay such amounts at an earlier date.

AG may direct and must consent to any remedies and AG's consent may be required in connection with amendments to any applicable legal documents.

In the event AG is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the moneys received pursuant to the applicable legal documents. In the event AG becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

The long-term ratings on the Certificates are dependent in part on the financial strength of AG and its claim paying ability. The financial strength and claims paying ability of AG are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of AG and of the

ratings on the Certificates will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See “RATINGS.”

The obligations of AG are general obligations of AG and in an event of default by AG, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of AG and no assurance or representation regarding the financial strength or projected financial strength of AG is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to make the Lease Payments and the claims paying ability of AG, particularly over the life of the investment.

ABSENCE OF LITIGATION

At the time of delivery of and payment for the Certificates, the District and the Corporation will certify that there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or regulatory agency, public board, or body pending or threatened against the District or the Corporation affecting their existence or the titles of their respective officers or seeking to restrain or to enjoin the issuance, sale, or delivery of the Certificates, or the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Certificates, any agreement entered into between the District and any purchaser of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease or any other applicable agreements or any action of the District or the Corporation contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or the Corporation or their authority with respect to the Certificates or any action of the District or the Corporation contemplated by any of said documents, nor, to the knowledge of the District or the Corporation, is there any basis therefor. There is no litigation pending or threatened against the District that could affect the District’s ability to make the Lease Payments.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Certificates 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 2024-25 fiscal year which would be due on March 31, 2026, 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 G—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.

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc., Irvine, California (the “Municipal Advisor”), is an independent financial advisory firm registered as a “Municipal Advisor” with the Securities Exchange Commission and Municipal Securities Rulemaking Board. The Municipal Advisor does not underwrite, trade or distribute municipal or other public securities. The Municipal Advisor has assisted the District in connection with the planning, structuring, sale and issuance of the Certificates. The Municipal Advisor 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 the Municipal Advisor. The fees of the Municipal Advisor in respect to the Certificates are contingent upon their sale and delivery.

LEGAL MATTERS

All legal matters in connection with the execution and delivery of the Certificates are subject to the approval of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Special Counsel. Special Counsel’s opinion with respect to the Certificates will be substantially in the form set forth in APPENDIX D—FORM OF SPECIAL COUNSEL OPINION. Certain legal matters will also be passed on for the District by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Irvine, California. The fees and expenses of Special Counsel and Disclosure Counsel are contingent upon the delivery of the Certificates.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth LLP, Sacramento, California (“Special Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) with respect to the Certificates is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Certificates might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by section 55 of the Code on such corporations. In the further opinion of Special Counsel, interest (and original issue discount) with respect to the Certificates is exempt from State of California personal income tax.

In the opinion of Special Counsel, the difference between the issue price of a Certificate (the first price at which a substantial amount of the Certificates of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Certificate (to the extent the redemption price at maturity

is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable Certificate.

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

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

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

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

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (or by an audit of similar securities). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the

Code (or interpretation thereof) subsequent to the delivery of the Certificates to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) with respect to the Certificates or their market value.

SUBSEQUENT TO THE DELIVERY OF THE CERTIFICATES THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE CERTIFICATES INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE CERTIFICATES. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE CERTIFICATES. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE DELIVERY OF THE CERTIFICATES STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE CERTIFICATES, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE CERTIFICATES.

The complete text of the final opinion that Special Counsel expects to deliver upon the delivery of the Certificates is set forth in APPENDIX D—FORM OF OPINION OF SPECIAL COUNSEL.

UNDERWRITING

The Certificates are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) at a price of \$_____ (being \$_____ aggregate principal amount of the Certificates, plus a net original premium of \$_____, and less \$_____ of Underwriter’s discount). The Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase agreement for the Certificates, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Certificates to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

RATINGS

S&P is expected to assign the rating of “AA” (stable outlook) to the Certificates based on the issuance of the Policy by AG at the time of delivery of the Certificates. See “MUNICIPAL BOND INSURANCE.” In addition, S&P has assigned the underlying rating of “AA-” to the Certificates without regard to the issuance of the Policy. These ratings reflect only the views of S&P and an explanation of the significance of such ratings may be obtained from 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 S&P if, in the judgment of the 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 Certificates.

VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to it on behalf of the District, relating to the sufficiency of the anticipated amount of proceeds of the Certificates and other funds available to pay the redemption price of the 2015 Certificates. The report of the Verification Agent will include the statement that the scope of its engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report.

FINANCIAL STATEMENTS

The District's financial statements for the Fiscal Year ended June 30, 2024, included in APPENDIX B—ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024, have been audited by the District's Auditor, as stated in its reports appearing in such appendix. The District's Auditor has not undertaken to update its reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the District's Auditor with respect to any event subsequent to its report.

ADDITIONAL INFORMATION

All of the preceding summaries of the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Certificates.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

The District will furnish a certificate dated the date of delivery of the Certificates, from an appropriate officer of the District, to the effect that to the best of such officer's knowledge and belief, and after reasonable investigation, (i) neither the Official Statement or any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (ii) since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement, and the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and

Facility Lease, and other applicable agreements conform as to form and tenor to the descriptions thereof contained in the Official Statement; and (iii) the District has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied under the Trust Agreement at and prior to the date of the issuance of the Certificates.

The execution and delivery of the Official Statement by the District have been duly authorized by the District Council on behalf of the District.

FULLERTON JOINT UNION HIGH
SCHOOL DISTRICT

By _____
Steve McLaughlin Ed.D.,
Superintendent

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APPENDIX A

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

Although reasonable efforts have been made to include up-to-date information in this Appendix A, some of the information is not current due to delays in reporting of information by various sources. It should not be assumed that the trends indicated by the following data would continue beyond the specific periods reflected herein.

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 estimates population of the Cities of Fullerton, La Habra, Buena Park, Orange County and the State of California for 2020 through 2024.

CITIES OF FULLERTON, LA HABRA, BUENA PARK, ORANGE COUNTY AND CALIFORNIA Population

Year	Fullerton	La Habra	Buena Park	County	California
2020	143,876	62,737	84,211	3,186,989	39,538,223
2021	141,614	62,357	83,765	3,172,352	39,327,868
2022	141,929	61,700	83,122	3,158,071	39,114,785
2023	140,756	61,028	82,632	3,141,065	39,061,058
2024	140,311	60,901	82,689	3,150,835	39,128,162

Source: California Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2024, with 2020 Census Benchmark. Sacramento, California, May 2024.

Employment

The following table summarizes historical employment and unemployment for Orange County, the State of California, and the United States for 2019 through 2023:

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

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽¹⁾
2019	Orange County	1,623,400	1,568,400	45,500	2.8%
	California	19,385,300	18,589,600	795,700	4.1
	United States	163,539,000	157,538,000	6,001,000	3.7
2020	Orange County	1,563,800	1,424,300	139,500	8.9%
	California	18,958,600	17,037,000	1,921,600	10.1
	United States	160,742,000	147,795,000	12,947,000	8.1
2021	Orange County	1,557,200	1,464,100	93,100	6.0%
	California	18,956,600	17,568,700	1,387,800	7.3
	United States	161,204,000	152,581,000	8,623,000	5.3
2022	Orange County	1,579,300	1,528,500	50,700	3.2%
	California	19,169,300	18,348,900	820,400	4.3
	United States	164,287,000	158,291,000	5,996,000	3.6
2023	Orange County	1,588,900	1,532,400	56,500	3.6%
	California	19,308,300	18,388,300	920,000	4.8
	United States	167,116,000	161,037,000	6,080,000	3.6

Source: U.S. Department of Labor – Bureau of Labor Statistics; California Employment Development Department. March 2023 Benchmark.

Note: Data not seasonally adjusted.

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

Principal Employers

The following table lists the top 10 principal employers in the County as of June 30, 2023.

ORANGE COUNTY Top 10 Industries

Rank	Employer	Number of Employees	% of Total
1.	The Walt Disney Co.	34,000	2.11%
2.	University of California, Irvine	24,867	1.54
3.	County of Orange	18,576	1.15
4.	Providence Southern California	13,037	0.81
5.	Kaiser Permanente	9,592	0.59
6.	Hoag Memorial Hospital Presbyterian	7,888	0.49
7.	Albertsons	7,633	0.47
8.	Target Corporation	6,000	0.37
9.	Allied Universal	5,929	0.37
10.	Walmart Inc.	5,900	0.37

Source: County of Orange, State of California, Annual Comprehensive Financial Report for the Year Ended June 30, 2023.

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)

	2019	2020	2021	2022	2023
Valuation					
Residential	\$37,946	\$15,503	\$10,911	13,502	\$126,556
Non-Residential	17,606	33,393	7,048	42,529	43,370
Total	\$55,552	\$48,896	\$17,959	\$56,031	\$169,926
Units					
Single Family	17	19	6	15	44
Multi Family	307	25	36	0	695
Total	324	44	42	15	739

Source: Construction Industry Research Board.

Note: Totals may not add to sum due to rounding.

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

	2019	2020	2021	2022	2023
Valuation					
Residential	\$13,200	\$10,354	\$19,972	\$23,918	\$26,707
Non-Residential	13,546	14,945	3,287	7,713	8,022
Total	\$26,746	\$25,299	\$23,259	\$31,631	\$34,729
Units					
Single Family	22	20	73	6	18
Multi Family	8	0	0	10	129
Total	30	20	73	16	147

Source: Construction Industry Research Board.
Note: Totals may not add to sum due to rounding.

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

	2019	2020	2021	2022	2023
Valuation					
Residential	\$5,442	\$22,233	\$65,779	\$26,158	\$30,197
Non-Residential	15,779	14,640	14,658	13,841	32,250
Total	\$21,221	\$36,873	\$80,437	\$39,999	\$62,447
Units					
Single Family	1	75	87	19	23
Multi Family	0	0	114	53	74
Total	1	75	201	72	97

Source: Construction Industry Research Board.
Note: Totals may not add to sum due to rounding.

ORANGE COUNTY
Building Permits and Valuation
(Dollars in Thousands)

	2019	2020	2021	2022	2023
Valuation					
Residential	\$2,642,314	\$1,870,958	\$2,393,961	\$2,214,772	\$2,573,625
Non-Residential	3,152,501	1,984,321	1,825,076	1,928,312	1,994,878
Total	\$5,794,815	\$3,85,279	\$4,29,037	\$4,143,084	\$4,568,503
Units					
Single Family	3,125	2,863	3,292	2,929	2,688
Multi Family	7,169	3,032	4,382	3,405	9,725
Total	10,294	5,895	7,674	6,334	12,413

Source: Construction Industry Research Board.
Note: Totals may not add to sum due to rounding.

Personal Income

The following table summarizes per capita personal income for the County, the State and the United States for the past 10 years that statistics are currently available.

PER CAPITA PERSONAL INCOME
2014 through 2023
Orange County, State of California, and United States

Year	Orange County	State of California	United States
2014	\$55,461	\$50,619	\$46,287
2015	59,242	53,817	48,060
2016	61,188	55,863	48,971
2017	63,513	58,214	51,004
2018	66,058	60,984	53,309
2019	69,619	64,219	55,566
2020	75,074	70,098	59,123
2021	81,505	76,882	64,460
2022	84,109	76,941	66,244
2023	88,897	81,255	69,810

Source: U.S. Bureau of Economic Analysis.

APPENDIX B

ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024

The Auditor was not requested to consent to the inclusion of its report in this Appendix B and it has not undertaken to update financial statements included in this Appendix B. No opinion is expressed by the Auditor with respect to any event subsequent to its report.

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FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Fullerton Joint Union High School District
Fullerton, California

Report on the Audit of the Financial Statements

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedule of District's proportionate share of the net OPEB liability, schedule of District's proportionate share of the net pension liability and schedule of District contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary 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 schedule of average daily attendance (ADA), schedule of instructional time, reconciliation of the annual financial and budget report with the audited financial statements, combining nonmajor fund financial statements, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the schedule of average daily attendance (ADA), schedule of instructional time, reconciliation of the annual financial and budget report with the audited financial statements, combining nonmajor fund financial statements, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of financial trends and analysis and schedule of charter schools which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such 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 them.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the LEA organization structure, introductory section and the continuing disclosure information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
December 16, 2024

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Overview

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 comprising 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.

Significant Accomplishments

Troy High School

Troy High School is in year-five of a WASC a six-year clear full accreditation valid through June 30, 2026. The Troy High School mid-cycle WASC report was accepted on June 6, 2023 and Troy will continue for the next three years with a clear full accreditation through June 30, 2026. Troy High School is acclaimed for its many programs including Troy Tech, AVID, AP, International Baccalaureate, and Cambridge.

- #32 Best College Prep Public High School in the Nation, 2024 Niche.com
- #2 Best College Prep Public High School in California, 2024 Niche.com
- #1 Best Public High School in Orange County, 2024 Niche.com
- #30 in California, U.S. News and World Report, 2024

National Merit Awards

- Semifinalists 2023 - 2024: 34 students
- Scholar Finalists 2023 - 2024: 31 students
- Commended Scholars 2023 - 2024: 96 students
- National Hispanic Recognition Award 2023-2024: 8 students
- National African American Recognition Award 2023-2024: 3 students

Advanced Placement 2024 Data

- College Board's AP Computer Science Female Diversity Award
- Recognition for achieving high female representation in AP Computer Science Principles
- 3770 AP exams administered to 1462 students: average 4.0
- 90% pass rate on AP exams
- 92% of students passed at least one AP exam with a 3 or better in 2022-23

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Significant Accomplishments (Continued)
Troy High School (Continued)

AP Exams Given	# Exams	Avg. Score	% with 3+
2D Art Design	12	3.8	100%
Biology	131	4.3	98%
Calc AB	207	4.6	99%
Calc BC	169	4.9	99%
Chem	58	4.6	100%
Chin Lang	59	4.8	100%
Comp Sci A	133	4.5	97%
Comp Sci Prin	415	4.1	95%
Draw	25	3.4	88%
Eng Lang Comp	137	3.4	78%
Eng Lit Comp	107	4.2	95%
Env Sci	49	3.6	86%
Euro Hist	112	3.9	92%
Fren Lang	17	2.6	53%
Macro Econ	231	3.5	83%
Micro Econ	6	3.7	100%
Mus Theo	17	3.8	88%
Phys 1	236	3.3	75%
Phys 2	170	3.3	83%
Phys C: E M	50	3.4	64%
Phys C: Mech	52	4.1	94%
Psyc	141	3.5	82%
Span Lang	61	3.8	95%

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Significant Accomplishments (Continued)
Troy High School (Continued)

Stat	111	4.5	96%
US Gov Pol	207	4.1	94%
US Hist	319	4.4	100%
World Hist Mod	208	4.1	95%
Total Exams	3770	4.1	92%

Programs for all Troy students:

- The Troy Tech Magnet
- Program in Science, Technology, Engineering and
- Mathematics; Advanced Placement; InternationalBaccalaureate;
- and Cambridge A Level & AICE Diploma;
- 76% of the student population is enrolled in one or more of our
- specialized programs.
- Concurrent Enrollment Options and
- Certifications
- Fullerton College: Sociology 101, Counseling 140
- California State University, Fullerton Math 15A, 150A/B, 250A/B,
- TroyTech pathways offering certifications: SolidWorks (CSWA), Cisco Certified Support Technician (CCST) Networking, Cybersecurity, & CompTIA Security+

Awards & Recognitions

- Science Olympiad Team: National Championship 3rd place, 2024.
- 14 National and 27 State Championships since 1996
- Science Bowl 2023 & 2024, 2nd place in California
- Biology Olympiad: National USABO 11 consecutive years
- Physics Olympiad Silver Medalist, 2023

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Significant Accomplishments (Continued)
Troy High School (Continued)

- NJROTC: Distinguished Unit of 325 cadets with Academic Honors 2024; National Champions in NJROTC Academics, Athletics, and Drill Competition; Largest CA Program; Drill, Orienteering, Brain Brawl, Seaperch, and CyberPatriot team awards at State and National levels; Annual appointments to Academies.
- Troy NJROTC Cyber - 5 time CyberPatriot National Champions (2024, 2023, 2021, 2019, 2018).
- 2023 Southern California Aspirations in Computing Award from NCWIT: Recognized 23 Troy Tech female student leaders in information technology/computing;
- 2 groups won the Congressional App Challenge, 2022-23
- MathWorks Math Modeling Challenge Finalists 2020
- Athletics: 31% of Troy students participate in the Troy's 25 sports teams
- Multiple league and CIF Champions. 261 multi-sport athletes.
- Dance: Troy Red Hots 2024 Dance teams ranked nationally; State Champions in extra small and large Jazz

College Acceptances

- 95% of Troy's students attend colleges and universities
- 4-year colleges and universities 65% attendance
- 2-year colleges 30% attendance
- Other (military enlistment, vocational/career college, entering workforce) 5%
- 79.3% of the Class of 2024 met the four-year college, A-G entrance requirements for University of California and the California State University institutions.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Significant Accomplishments (Continued)
Troy High School (Continued)

2024 International Baccalaureate Data

- 98% IB exam pass rate (Diploma candidates and certificate)
- 36 IB Diploma graduates; 100% passing
- 211 exams taken by 69 students

2024 IB Subjects	# Candidates	# Passed
ENGLISH A: Literature HL	36	36
CHINESE B - MANDARIN SL	1	1
FRENCH B HL/SL	3	3
SPANISH B SL	25	25
BUSINESS MANAGEMENT SL	8	8
PHILOSOPHY HL	36	36
BIOLOGY HL	8	6
BIOLOGY SL	5	5
COMPUTER SC. HL	17	15
COMPUTER SC. SL	2	2
DESIGN TECH. SL	11	11
PHYSICS HL	4	2
PHYSICS SL	14	14
MATHEMATICS HL	17	17
MATHEMATICS SL	15	15
FILM HL/SL	2	2

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Significant Accomplishments (Continued)
Troy High School (Continued)

2024 Cambridge Data

305 exams taken by 169 candidates with a 96% pass rate

34 AICE Diploma graduates, 85% passing.

2024 Cambridge Subjects	# Candidates	% Passed
Biology AS Level	5	100%
Biology A Level	23	79%
Business A Level	18	85%
English Language AS	75	98%
English Language A	50	100%
History AS	29	100%
History A Level	33	97%
Media Studies AS	6	100%
Spanish Language	1	100%
Global Perspectives & Research	45	98%
Computer Science A Level	10	100%
Physics A Level	4	100%
Design & Technology	20	70%
Mathematics A Level	7	86%

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Significant Accomplishments (Continued)
Sunny Hills High School

In addition to excellent academics including AP, International Baccalaureate, AVID, Agricultural, and ROP courses, Sunny Hills also boasts thriving arts, athletics, and activities along with a multitude of clubs that allow students to participate and engage in school beyond the classroom. The staff believes that high school should be a fun and exciting time in a student's life filled with vast opportunities for learning and growth. The quality and drive of the exceptional teaching staff, the professionalism and pride of the classified staff, the community and parental partnerships, and the amazing students allow Sunny Hills High School to provide a world-class education for every student, every day!

- #41 in the Los Angeles area (U.S. News & World Report, 2024)
- #98 in the state of California (U.S. News & World Report, 2024)
- #740 in the national rankings (U.S. News & World Report, 2024)
- A+ school according to Niche.com, 2025
- #10 Best High School in Orange County (Niche.com, 2025)
- #80 out of 2,027 Best Public High Schools in California (Niche.com, 2025)
- #409 out of 20,733 Best Public High Schools in America (Niche.com, 2025)
- #9 Most Diverse Public High School in Orange County (Niche.com, 2025)
- 2024 Honor Roll School by Educational Results Partnership
- 2024 AP Honor Roll Gold Medal School

College Matriculation

Sunny Hills has a 98% graduation rate. As reported by the Class of 2024, 93% were attending Colleges (including trade colleges), 54% to a Four-Year College including 21% to a University of California and, 19% to a California State University, 39% to Two-Year Colleges/Trade schools, 1% to the Armed Forces or Academy, and 12% to Private Colleges & Out-of-State.

Academic Highlights

Sunny Hills continued to have strong CAASPP Testing results in 2023-24 across the board in comparison to both Orange County and California as a whole. Students meeting or exceeding standards for ELA were at 77.9%, for Math 59.8%, and for Science 51%. In 2023-24, Sunny Hills had 5 National Merit Scholarship Competition Finalists, 5 National Merit Award Semifinalists, and 27 National Merit Commended Students. For the 2023-24 graduating class, 117 students received their California Seal of Biliteracy in the following languages: 5 German, 23 Korean, 6 Mandarin, and 83 Spanish. Additionally, 135 students received the California State Seal of Civic Engagement.

Advanced Placement

In 2024, 1,208 students took 2,502 AP exams in courses including American Government, Biology, Calculus, Chemistry, Chinese, Computer Science, English Language and Composition, English Literature and Composition, Environmental Science, European History, German, Human Geography, Macroeconomics, Physics, Psychology, Spanish, Statistics, Studio Art, and U.S. History. Students earned a 3 or better on 76% of the exams with 80% of our students earning a 3 or higher on an exam. 189 students were recognized as AP Scholars, 75 as AP Scholars with Honor, and 198 as AP Scholars with Distinction.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Significant Accomplishments (Continued)
Sunny Hills High School (Continued)

International Baccalaureate

Sunny Hills was granted full affiliation in 1985 by the International Baccalaureate Organization. In 2024, 57 students took 211 subject entries. Passing scores of four (4) or above were earned on 92% of the tests. 22 of the 24 eligible senior candidates were granted International Baccalaureate diplomas. Students may take higher-level exams in Art, Dance, Economics, English, Theater, Physics, German, Spanish, Korean, and History of the Americas. Standard-level exams may be taken by students in Art, Biology, Dance, Physics, Design Technology, Spanish, German, Korean, Chinese, Mathematics, and History of the Americas.

AVID

The program is designed to provide additional support for college preparatory/honors/AP students with a 2.5 or higher GPA to ensure they complete college/university requirements so they are eligible to apply to 4-year colleges and universities. The AVID program also promotes enrollment in honors/AP/IB courses as appropriate; 40% of the AVID student population is in an honors/AP/IB course. Currently, Sunny Hills High School has 282 students in the AVID program with 100% of the AVID 2024 graduating class university A-G eligible, 100% applied to a 4-year university, 100% were accepted into a 4-year college/university, and 100% of our students reported they are going to continue their education at a higher education institute.

Conservatory of Fine Arts (COFA)

Students can earn a COFA Laureate for 3 years of study or a COFA Laureate with Distinction for 4 years of study and participation in 3 COFA-sponsored events per year outside of their courses. All courses meet the UC/CSU "Visual/Performing Art" requirement. Currently, Sunny Hills has 984 COFA members and in 2024, 24 students earned the Laureate Award and 55 students earned the Laureate with Distinction Award. The Lancer Video Production program won 2nd place in the 2023 California All Stars News Broadcast category from "The Southern California Journalism Education Association" for their "Sunny Side Up" weekly video news magazine.

Athletics

During the 2023-24 school year, 1,268 student-athletes competed across 22 total sports programs winning 8 Freeway League championships! In the Fall Daniela Borrueal won CIF Individuals for Girls Tennis and Yurang Li won CIF Individuals for Girls Golf! Boys Golf won a CIF Championship. Girls Water Polo won league, were CIF Finalists, and qualified for CIF State. Esports won a CIF championship as well.

Other Accomplishments

The Sunny Hills newspaper (*Accolade*) and yearbook (*Helios*) were both named as Columbia Scholastic Press Association, Crown Finalists and National Scholastic Press Association, Pacemaker Finalists.

Through our EPIC Engineering and Computer Science Programs, 6 students participated as Boeing Interns over the summer.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Significant Accomplishments (Continued)
Sonora High School

Sonora High School offers a wide variety of programs and opportunities for students to find their fit within the school culture, while also cultivating and exhibiting their passions, interests, and talents. The goal of these programs is to allow for students to gain experience and knowledge within a focus area that allows them to find success in all academic areas while preparing them for college, career, and beyond. The school offers special programs that attract students and families based upon the interests of the student. Such programs include Career Technical Education (CTE) courses, International Baccalaureate (IB), Advanced Placement (AP), Advancement Via Individual Determination (AVID), athletics, and other activities to allow for students to demonstrate their strengths and fulfill their academic curiosities.

Advancement Via Individual Determination (AVID)

The AVID program helps to fulfill the goal of providing support to students, and their successful transition to college. AVID was reintroduced to Sonora during the 21-22 school year, and continued into its second year in the 22-23 school year. As the program grew, Sonora offered two sections of AVID I as well as two sections of AVID II in 22-23. Sonora had a group of six staff members attend summer training in 2023, and as a result, an AVID Leadership Team was created that meets monthly to discuss implementation in each of the levels of AVID, professional development opportunities for staff schoolwide, and examination of data to determine areas of success. The AVID program began with 78 students in AVID I, and during the 22-23 school year, the program consisted of 64 students who matriculated to AVID II and 54 additional incoming freshmen in AVID I. The program has grown over the last two school years and now offers AVID III and AVID IV to provide the full continuum of support for all students 9-12. During the 2023-2024 school year, there were 45 students in AVID III. The first graduating cohort of students will be at the conclusion of the 2024-2025 school year.

Academy of Nursing and Medical Careers

The Academy of Nursing and Medical Careers was established in 1994 and has been a staple CTE program at Sonora High School since that time. This four year program offers courses at every grade level, including Introduction to Med/Nursing, Health Med/Office, Body Systems and Medical Assisting. Academy students have the opportunity to earn both a CPR/First Aid Certification and their Medical Assisting certification. During the 2023-2024 school year, there were a total of 42 students that completed the pathway.

Culinary Arts CTE Pathway

The Culinary Arts CTE Pathway has proven to be the fastest growing pathway at Sonora, based upon consistency of registration and student interest. Students are provided with hands-on experience that allows them to learn and understand the basics of operating a kitchen, kitchen safety, knife skills, sanitation and cooking and baking skills. Course offerings include Introduction to Culinary Arts, and Culinary Arts and Hospitality Management which develops leadership skills in the area of culinary management. During the 22-23 school year, the culinary kitchen and adjacent classroom were upgraded and improved to provide students with a state-of-the-art environment. During the 23-24 school year, 226 students participated in the Culinary Arts Pathway.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Significant Accomplishments (Continued)
Sonora High School (Continued)

Junior Reserve Officer Training Corps (JROTC)

Sonora High School offers students the opportunity to participate in the Army JROTC program, which is focused upon character education, student achievement, wellness, leadership development, and diversity. The program is a cooperative effort between the United States Army and Sonora High School to produce successful students and citizens. During the 23-24 school year, Sonora had approximately 100 students who were involved in the various levels of the JROTC program, which spans between the introductory course level and our Special Teams group that represented Sonora in a variety of contests and community presentations. Additionally, JROTC students participated in various formal ceremonies, and recognitions throughout the school year. JROTC provides students with valuable life-lessons and skills that prepare them for either future service in the military and/or application of skills for college and career success.

Buena Park High School

With the emergence and growth of new programs, accelerated high level academic academies, and champion and award winning athletic and arts departments, Buena Park High School is quickly becoming a “Destination High School” for students in the surrounding area. Regardless of where students come from, once they embrace the welcoming environment that is BPHS, they transform into a Coyote and join our Pack! They then take on our Pack’s high expectations, choosing to operate at a higher level than other high school students. As a Pack, we RISE UP together, and after four years, our students graduate better students, citizens, and young adults, ready to not only tackle higher education and a career, but excel in all facets of life! For we are a Pack, and we develop the core values of **Respect**, **Integrity**, **Service before self**, and **Excellence** in all we do, so we can RISE UP to meet all challenges.

Our high expectations start with the bottom line of: Everyone, in-class, on-time, every period, every day! It continues with the expectation that students learn true engagement, free from the outside distractions that are present due to constant connectivity through devices. We want students to learn how to #Unplug while in class, by removing their devices from their immediate vicinity, so they can Connect and Engage with their peers, with their instructor, and with the curriculum. Overall, we expect each and every student to find their connection to BPHS through the multitude of programs offered at the school. One of the attributes that makes BPHS a Destination School for All students are the award winning and high caliber Arts, Athletics, and Academic programs that foster unique learning opportunities and develop well rounded students. Buena Park High School continues to offer a complete Dual Enrollment/AP/Honors and college prep program that has a history of providing students with the preparedness to attend our nation’s finest educational institutions. We have recent graduates currently studying at: multiple Ivy League schools to include Princeton, Brown, and Columbia, Private Universities around the country to include Stanford, USC, Northwestern University, and The Claremont Colleges, not to mention hundreds of students at every UC and CSU in the state of California. We boast National Merit Finalists, Semi-Finalists, Questbridge, and Presidential Scholars, in addition to many more incredible accomplishments from our entire Coyote Family. The multitude of amazing specialized academic programs make BPHS an AAA (Triple A) “Destination High School” for the Arts, Academics, and Athletics.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Significant Accomplishments (Continued)
Buena Park High School (Continued)

BP EARLY COLLEGE ACADEMY: partnership with Cal State Fullerton, Fullerton College, Cypress College and Mt. San Antonio College (Mt. SAC) where students take college classes during their regular school day and earn both UC-/CSU-transferable college credit while meeting their high school graduation requirements. Just last year, almost **200 students** enrolled in **344 courses** through the Academy, **completing 334** courses (97% completion rate), **passing 328** of them...a **98% pass rate!** Even more impressive was that our students passed those classes with 210 As, 81 Bs, 28 Cs, and only 9 Ds. Their **overall weighted college GPA is 4.36**. These students earned **1070 college credits collectively** with some students, who chose to take the maximum of three courses, completing 20 college credits in one year of high school.

AP CAPSTONE DIPLOMA: part of the BP Early College Academy, is an innovative and prestigious diploma program that includes (2) unique 1-year courses, AP Seminar and AP Research. The program allows students to immerse themselves in topics that personally matter to them while developing the analytic, research, problem-solving, and communication skills that colleges seek in the applicants. Just last year, **32 students** completed the AP Capstone Certificate, having passed both the AP Seminar and Research courses, with **16** students also passing four other AP courses to earn **AP Capstone Diploma** recognition. **This is the most in school history** and a great accomplishment for BPHS.

CAVPA: (*Coyote Academy of Visual and Performing Arts*): Fine and Performing Arts pathways that includes all five branches of the arts: Band & Orchestra, Vocal Music, Digital/Media Arts, Dance, Theater, and 2-D/3D fine art. In addition, CAVPA offers multiple AP courses in the fine arts and has achieved a 99% AP pass rate over the past 9 years!

AGRICULTURE SCIENCE ACADEMY: BPHS is home to one of the top High School Agriculture Program in the area, featuring a complete four-year science pathway capped by two-early college options: Veterinary Science and Horticulture. BPHS student leaders have held positions within the region and state levels, with hundreds of students receiving A-G accredited science course work completion each year.

AFJROTC: BP AFJROTC has earned Distinguished Unit honors every year for the past decade, highlighted by its leadership development and community service focuses. It also boasts Nationally Ranked Academic Bowl and Stellarxplorers academic teams.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Significant Accomplishments (Continued)
Buena Park High School (Continued)

CAREER TECHNICAL EDUCATION: With both an academic and skills-based focus, BPHS offers eight different CTE pathways: Agriscience, Culinary Art & Hospitality, Video Production, Digital Design, AP Computer Science, Automotive Technology, Advanced Robotics & Automated Manufacturing (ARM), and Medical Careers. Each of these pathways offer unique aspects that greatly contribute towards building a well-rounded education foundation. In the past year, BP's ARM program continues to certify the only high school students in the state of California to receive SACA gold level industry certifications.

In addition to the programs mentioned above, Buena Park High School also offers a wide variety of extra and co-curricular programs, led by the largest program on campus, its Athletic Department. With approximately 30% of the student body participating in one or more sports, the recent resurgence in the Athletic accomplishments by our athletes and coaches is a testament to their hard work and dedication to growth and improvement. In just the last few years we have won a CIF Championship in Girls Water Polo (2019), CIF Final runner-ups in Girls Basketball (2023) and Boys Water Polo (2018),

Freeway League titles in Football (2016) and Girls Basketball (2024). Over 60% of the athletic programs qualified for CIF playoff berths last year, with four programs (Boys Soccer, Girls Water Polo, Girls Basketball, and Boys Baseball) reaching the Semifinals!

As a Destination School, BPHS offers "something for everyone." We have a robust AVID program, Journalism and Yearbook multiyear pathways, an advanced college level Computer Science pathway, and much more. As partners in the educational process, parents and guardians provide the crucial encouragement, monitoring, and support to our children that are vital to their success, and are encouraged to participate in their child's high school progression. Every BPHS student is enrolled to not only gain his or her four-year diploma, but to proceed on to a 2- to 4-year post high school education (*8 Year Educational/Career Plan*). We focus on the future, because the road to success does not end at BPHS, but rather it begins here! We provide the foundation with which our students use to launch their college and careers.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Significant Accomplishments (Continued)

La Habra High School

La Habra High School in 2023/2024 was ranked by U.S. News & World Report #6116 out of 17,655 of the best high schools in the nation, #748 out of 1,652 of the best high schools in California. The Advanced Placement participation rate is 25% with a 66% pass rate with a score of three or more on their test. La Habra students completed A-G courses at 45%. La Habra has a graduation rate of 97.1%

La Habra High School was named by Niche.com #107 out of 1702 best high schools for athletics in California, #606 out of 2027 for best public high schools in California.

For the 2022/2023 school year, La Habra was granted six-year WASC accreditation status through June 30, 2029 with a mid-cycle visit during the 2025-2026 school year.

La Habra High School has also been recognized twice as a California Distinguished School, four-time Golden Bell Award recipient, and National Blue Ribbon Nominated School for its comprehensive, specialized educational programs, including the Heritage Humanities Magnet Program, Forensics, Police, and Fire Academy (FPFA), Marketing and Business Academy (MBA), Agricultural Sciences and Mechanics Program, HiARTS Program, and Naval JROTC Program. There are also numerous pathways offered for students within the subjects of Auto Tech, Culinary, Computer Science, Emergency Response (EMT), and Sports Medicine.

La Habra High School has a successful partnership and pathway with Fullerton College, considered a model school with the Administration of Justice courses (AJ) and has over a 90 percent success rate. La Habra High School offers a balanced approach to high school. Students are involved with relevant and rigorous academic academies, programs and pathways including an award winning Advanced Placement and Honors program, coupled with the opportunities to be involved with extremely successful athletic teams, clubs and other extra and co-curricular programs. It is a special institution where the school works collectively as a school family, consisting of students, staff, and parents, to create a family environment that fosters a culture of positivity, acceptance, kindness, dedication, resilience, and success.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Significant Accomplishments (Continued)

Fullerton Union High School

Fullerton Union High School in 2023 was ranked by US News and World Report #2798 in the national rankings and was ranked #388 in the state of California. We are above the state average in our Math and Reading CASSPP Scores. The Advanced Placement participation rate is 46%. Fullerton Union High School has a 97% graduation rate.

We have a rich tradition of academic, athletic, and co-curricular success. It is this commitment to learning that has propelled us to a national ranking in the top 10% of high schools in US News and World Report. FUHS offers a variety of programs not only so students can apply their learning but also so that every student can find their passion and find a place to call their own. There is so much to choose from because our course offerings are as diverse as our student body and represent what is best in schools today.

FUHS has received 11 Golden Bell Awards from the California School Boards Association for Educational Excellence and Innovation. The most recent Golden Bell was awarded in the fall of 2022 to our award-winning Biology, Engineering, Arts, Science, and Technology (BEAST) program. FUHS has been honored three times as a California Distinguished School and has also received the National Exemplary School Designation. FUHS Academy of the Arts has been awarded the 2021 CA Exemplary Arts Education Award. "Schools recognized as Exemplary Arts Education Awardees represent a broad cross-section of educational delivery models, including traditional comprehensive elementary schools, magnet schools, and district and independent charters. These schools serve diverse demographic populations of varying sizes, from a 2,700-student urban school to a 250-student rural school. Some schools serve primarily Title I students from lower socio-economic circumstances, and others serve suburban populations with strong district and community financial support" (CDOE). We are very proud of the fact that over 73% of our student body takes advantage of our robust arts programs.

The mission of Fullerton Union High School is to provide quality curriculum and instruction through a wide range of academic, co-curricular, and extracurricular opportunities by which all students may discover their interests and talents, form connections, and move from passive to active participants in the educational community in preparation for a responsible, productive adulthood.

The core values that bind FUHS together are integrity, caring, creativity, and mutual respect. The school's mission has always been to provide quality curriculum, instruction, and activities to prepare students to be college and career-ready. The curriculum combines rigorous academic programs that include Advanced Placement classes and the International Baccalaureate Diploma with special programs like the Agri-Science Academy, Computer Science Pathway, Culinary Academy, Academy of the Arts, JROTC, BEAST (STEAM Program), and Speech and Debate.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
INTRODUCTORY SECTION
JUNE 30, 2024**

Significant Accomplishments (Continued)

La Vista High School and La Sierra High School

La Vista is the continuation high school and La Sierra is the alternative high school in the Fullerton Joint Union High School District. School-based mental health is one of the staffs' core values. All teachers are trained in Restorative Practices and certified in trauma-informed instruction. In addition, Social-Emotional Learning (SEL) is provided to all students in the school-wide Academy Program. The Academy Program was awarded with a California School Board Association Golden Bell Award in 2023 for its impact on cultivating at-risk students' confidence and self-esteem, improving academic performance and increasing student engagement.

There are five alternative programs that operate under the umbrella of La Sierra High School: Opportunity, The iSierra Online Academy, The Adult Transition Program, ABC, and Home/Hospital. Two of the programs - Adult Transition and Tenth-Grade Opportunity - have, like the La Vista/La Sierra Academy Program, received the Golden Bell Award from the California School Board Association in recognition for the gains students make while enrolled in these programs. The Adult Transition Program is also the recipient of the prestigious GOALS Award given to only one special education program in California each year.

Both La Vista and La Sierra High School received a full six-year term of accreditation from the Western Association of Schools and Colleges in 2023. The Academy Program was highlighted as an area of commendation in the final WASC report along with, amongst other items, the schools' focus on its four CORE Values:

1. The 12 Highly-Effective Teaching Strategies
2. Educational Technology Applications
3. Safety
4. School-Based Mental Health

La Vista High School received the Model Continuation High School Award in 2024-2025. This is the highest honor a continuation high school can receive. La Vista has maintained this qualification since first applying for the award with the California Department of Education seventeen years ago.

La Vista English teacher, Jina Iglesias, and La Vista/La Sierra lead custodian, Antonio Arenas, received the Parenting OC Top 10 OC Teacher and Employee of the Year Award in 2024. In addition, Gavin Beglin was named the National Houghton Mifflin teacher of the year in 2020. Finally, the Fullerton Joint Union High School District has named seven La Vista/La Sierra teachers as the District Teacher of the Year. Two teachers, Al Rabanera and Sovey Long-Latter, advanced to the level of Orange County Teacher of the Year and, in 2022, Sovey Long-Latter was named the California Teacher of the Year.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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, 2024. 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 District.

Financial Highlights

- LCFF Sources - The District received approximately \$183.2 million (\$87.0 million in state LCFF and \$96.2 million in local taxes) in 2023/24 compared to \$166.5 million (\$76.0 million in state LCFF and \$90.5 million in local taxes) in 2022/23. This represents an increase of \$16.8 million.
- Federal, Other State, & Local Sources - The District received and reported \$65.6 million in Federal, Other State, & Local Revenue in the General Fund in 2023/24, compared to approximately \$63.8 million in Federal, Other State, & Local Revenue in the General Fund in 2022/23. This represents an increase of \$1.8 million.
- Collective bargaining agreements with all employee groups were settled through June 30, 2025.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

Financial Highlights (Continued)

- An agreement was entered on April 25, 2022 between the District and the Fullerton Secondary Teachers' Organization (FSTO).
 - The 2022/23 salary schedule, Appendix A, shall reflect a 4.5% increase over the 2020/21 salary schedule. In the event the 2022/23 COLA is finalized (as determined by the Department of Finance) at greater than the estimated 5.33%, the certificated salary schedule shall be increased by eighty percent (80%) of the increased COLA and Appendix A shall be amended.
 - Effective for the 2023/24 Fiscal Year A three percent (3.0%) on-schedule increase shall be applied to the 2022/23 certificated salary schedule. Additionally, an off-schedule payment of 3% shall be paid at the end of the 2023/24 school year. This one-time 3% payment shall be applied to the May 2024 paycheck. Business Services will verify active employees as of April 1, 2024 and calculate the 3% based on the employee's annual salary (which includes longevity, excludes all extra earnings, and may be pro-rated depending on the hire date).
 - Effective for the 2024/25 Fiscal Year The 2023/24 certificated salary schedule shall be increased by seventy-five percent (75%) of the final 2024/25 COLA as determined by the Department of Finance. Additionally, an off-schedule payment of 2.5% shall be paid at the end of the 2024/25 school year. This one-time 2.5% payment shall be applied to the May 2025 paycheck. Business services will verify active employees as of April 1, 2025 and calculate the 2.5% based on the employees annual salary (which includes longevity, excludes all extra earnings, and may be pro-rated depending on the hire date).
- The District and the California School Employees Association (CSEA) Chapter 82 entered into an agreement on April 27, 2027.
 - The 2022/23 salary schedule, Appendix A, shall reflect a 4.5% increase over the 2020/21 salary schedule. In the event the 2022/23 COLA is finalized (as determined by the Department of Finance) at greater than the estimated 5.33%, the certificated salary schedule shall be increased by eighty percent (80%) of the increased COLA and Appendix A shall be amended.
 - Effective for the 2023/24 Fiscal Year A three percent (3.0%) on-schedule increase shall be applied to the 2022/23 certificated salary schedule. Additionally, an off-schedule payment of 3% shall be paid at the end of the 2023/24 school year. This one-time 3% payment shall be applied to the May 2024 paycheck. Business Services will verify active employees as of April 1, 2024 and calculate the 3% based on the employee's annual salary (which includes longevity, excludes all extra earnings, and may be pro-rated depending on the hire date).
 - Effective for the 2024/25 Fiscal Year The 2023/24 certificated salary schedule shall be increased by seventy-five percent (75%) of the final 2024/25 COLA as determined by the Department of Finance. Additionally, an off-schedule payment of 2.5% shall be paid at the end of the 2024/25 school year. This one-time 2.5% payment shall be applied to the May 2025 paycheck. Business services will verify active employees as of April 1, 2025 and calculate the 2.5% based on the employees annual salary (which includes longevity, excludes all extra earnings, and may be pro-rated depending on the hire date).

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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 deferred outflow and all liabilities and deferred inflows 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 bond proceeds, finance these activities.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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-insured dental program. 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, nonobligatory 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* and the *Statement of Changes 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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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	
	June 30, 2024	June 30, 2023
ASSETS		
Current and Other Assets	\$ 177,387,735	\$ 176,047,708
Capital Assets	322,137,162	305,007,933
Total Assets	<u>499,524,897</u>	<u>481,055,641</u>
DEFERRED OUTFLOWS OF RESOURCES	64,938,984	53,107,367
LIABILITIES		
Current Liabilities	16,881,633	23,810,148
Long-Term Liabilities	418,649,824	416,274,895
Total Liabilities	<u>435,531,457</u>	<u>440,085,043</u>
DEFERRED INFLOWS OF RESOURCES	<u>25,620,240</u>	<u>32,424,665</u>
NET POSITION		
Net Investment in Capital Assets	139,736,180	124,359,060
Legally Restricted	52,113,457	53,733,702
Unrestricted	(88,537,453)	(116,439,462)
Total Net Position	<u>\$ 103,312,184</u>	<u>\$ 61,653,300</u>

The District's net position was \$103,312,184 for the fiscal year ended June 30, 2024, reflecting an increase from prior year of \$41,658,884. Of this amount, \$52,113,457 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 (\$88,537,453) 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, 2024 unrestricted net position increased \$27,902,009 compared to June 30, 2023.

In addition, the changes in long-term liabilities and deferred inflows and outflows of resources is related to the recording of changes in postemployment healthcare benefit obligations and the recording of changes in pension related obligations. Refer to Notes 8, 13 and 14 for further discussion.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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

	Governmental Activities	
	June 30, 2024	June 30, 2023
REVENUES		
Program Revenues:		
Charges for Services	\$ 326,575	\$ 173,898
Operating Grants and Contributions	61,239,216	61,933,958
General Revenues:		
Property Taxes	111,853,615	105,679,398
Federal and State Aid Unrestricted	92,907,176	81,365,105
Interest, Investment, and Miscellaneous	13,776,071	8,545,229
Total Revenues	<u>280,102,653</u>	<u>257,697,588</u>
EXPENSES		
Instruction and Instruction Related Services	138,521,029	129,368,203
Pupil Services	30,141,958	22,371,144
Ancillary, Community, and Enterprise Activities	8,897,327	8,066,425
General Administration	15,990,762	12,679,385
Plant Services	17,488,631	19,665,292
Other Outgo	6,691,495	7,896,682
Debt Service - Interest	5,912,670	6,064,098
Depreciation/Amortization (Unallocated)	14,799,897	13,482,969
Total Expenses	<u>238,443,769</u>	<u>219,594,198</u>
CHANGE IN NET POSITION	41,658,884	38,103,390
Net Position - Beginning of Year	<u>61,653,300</u>	<u>23,549,910</u>
NET POSITION - END OF YEAR	<u>\$ 103,312,184</u>	<u>\$ 61,653,300</u>

As shown above in Table 2, the cost of all governmental activities in fiscal year 2023/24 was \$238,443,769. Federal and state unrestricted revenues totaled \$92,907,176, local property tax revenue totaled \$111,853,615, and other local revenues – including contributions and donations totaled \$13,776,071.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

THE DISTRICT'S FUNDS

As the District completed this year, governmental funds reported a combined fund balance of \$155,402,568, which is an increase of \$7,468,862 from the prior year (see Table 3 below).

Table 3

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
REVENUES	\$ 281,236,308	\$ 261,204,669
EXPENDITURES	<u>274,157,766</u>	<u>241,475,089</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,078,542	19,729,580
OTHER FINANCING SOURCES (USES)	<u>390,320</u>	<u>20,000</u>
NET CHANGES IN FUND BALANCE	7,468,862	19,749,580
Fund Balances - Beginning of Year	<u>147,933,706</u>	<u>128,184,126</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 155,402,568</u></u>	<u><u>\$ 147,933,706</u></u>

The primary reason for this net increase is due recognizing revenues from one-time dollars provided by federal and state grants due to the COVID-19 pandemic.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

THE DISTRICT'S FUNDS (CONTINUED)

Of these funds, the District's general operating fund, the General Fund consists of activity in the General Fund (Fund 01), 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 2022/23 to 2023/24:

Table 4

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Change</u>
REVENUES	\$ 249,371,499	\$ 230,451,804	\$ 18,919,695
EXPENDITURES	<u>234,439,132</u>	<u>208,834,840</u>	<u>25,604,292</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,932,367	21,616,964	(6,684,597)
OTHER FINANCING SOURCES (USES)	<u>(2,259,680)</u>	<u>(650,000)</u>	<u>(1,609,680)</u>
NET CHANGES IN FUND BALANCE	12,672,687	20,966,964	(8,294,277)
Fund Balances - Beginning of Year	<u>92,195,115</u>	<u>71,228,151</u>	<u>20,966,964</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 104,867,802</u></u>	<u><u>\$ 92,195,115</u></u>	<u><u>\$ 12,672,687</u></u>

The primary reasons for the change in fund balance include:

- An increase in federal and state funding related to COVID-19 and LCFF base augmentation.
- An increase in certificated and classified salaries and health & welfare costs.
- An increase in books and supplies due to textbook adoption implementation and COVID-19 related distance learning purchases.
- An increase in services and other operating costs related to COVID-19 related purchases, including personal protective equipment (PPE), such as HVAC systems, new outdoor spaces, and permanent buildings (replacing portables buildings).

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 84. 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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2024, the District had \$322,137,162 in a broad range of capital assets (net of depreciation/amortization), including land, buildings, furniture and equipment. This amount represents a net increase (including additions, retirements, and depreciation/amortization) of \$17,129,229. This was primarily related to modernization projects for aquatics, theater and facilities at various campuses as well as kitchen upgrade projects throughout the District.

Table 5

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Land	\$ 3,485,921	\$ 3,485,921
Construction in Progress	16,955,546	20,811,550
Buildings and Improvements	424,377,968	390,583,074
Equipment	33,075,152	31,475,236
Right-to-Use Lease Equipment	400,340	499,113
SBITA Assets	695,228	366,228
Total Accumulated Depreciation/Amortization	<u>(156,852,993)</u>	<u>(142,213,189)</u>
Total	<u><u>\$ 322,137,162</u></u>	<u><u>\$ 305,007,933</u></u>

Long-Term Liabilities

At the end of the fiscal year, the District had \$418,649,824 in long-term liabilities versus \$416,274,895 the prior fiscal year. This increase is primarily attributable to an increase in net OPEB and net pension liability. Additional information on these increases can be found at Notes 13 and 14.

Table 6

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
General Obligation (GO) Bonds	\$ 186,989,073	\$ 193,183,531
Certificates of Participation (COP)	15,766,859	16,703,397
Lease Payable	93,062	227,547
Subscription Payable	338,741	-
Compensated Absences	1,738,712	1,844,854
Total/Net OPEB Liability	65,883,211	63,753,180
Net Pension Liability	147,840,166	140,562,386
Total	<u><u>\$ 418,649,824</u></u>	<u><u>\$ 416,274,895</u></u>

The state limits the amount of general obligation debt that districts can issue to 1.25% of the assessed value of all taxable property within the District's boundaries. This is also known as the District's bonding capacity.

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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

State Budget and 2023/24 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) while the other 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 the projected LCFF amounts reported in the 2024/25 adopted budget:

	2024/25	2025/26	2026/27
COLA	1.07%	2.93%	3.08%
LCFF Amount	\$180,915,248	180,936,737	\$183.436.352

Projected Student Average Daily Attendance – At the time the 2024/25 Adopted Budget was presented to the board, District ADA was projected to decline in the 2024/25 school year of 269 students. The 2024/25 Enrollment and ADA estimates will be revised as new information is received. Since the District is in declining enrollment, the 2024/25, 2025/26 and 2026/27 Local Control Funding Formula revenues will be calculated based on a three-year rolling average (prior three year ADA numbers).

Lottery – Lottery income projected as of the 2024/25 Adopted Budget for years 2024/25, 2025/26 and 2026/27 is based on estimates from the State Department of Education, the Orange County Department of Education, and School Services of California. Projected 2024/25 lottery income by School Services of California is \$177 per ADA for unrestricted uses, and \$72 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 2024/25. Based on the 2024/25 Adopted Budget, the General Fund contribution in support of various Special Education programs will be approximately \$17.2 million.

Ending Fund Balance Projection – The District's 2023/24 ending fund balance and projected 2024/25, 2025/26 ending fund balance are projected to meet the required 3% contingency reserve requirement.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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:

Ruben Hernandez, Assistant Superintendent, Business Services
Fullerton Joint Union School District
1051 West Bastanchury Road
Fullerton, California, 92833-2247

Phone: 714-870-2810
E-mail: ruhernandez@fjuhsd.org

FINANCIAL SECTION

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
ASSETS	
Cash in County Treasury	\$ 159,303,686
Cash and Cash Equivalents	3,088,835
Accounts Receivable	13,432,450
Lease Receivable - Current	96,900
Stores	115,621
Prepaid Expenses	85,180
Lease Receivable - Noncurrent	1,265,063
Land	3,485,921
Construction in Progress	16,955,546
Capital Assets Being Depreciated and Amortized, Net	301,695,695
Total Assets	<u>499,524,897</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Loss on Refunding	749,817
Deferred Outflows - Other Postemployment Benefits Other Than Pensions (OPEB)	18,153,721
Deferred Outflows - Pensions	46,035,446
Total Deferred Outflows of Resources	<u>64,938,984</u>
LIABILITIES	
Accounts Payable and Other Current Liabilities	12,956,567
Accrued Interest	3,027,030
Unearned Revenue	809,452
Claims Liability (IBNR)	88,584
Long-Term Liabilities:	
Due Within One Year Other Than OPEB and Pensions	8,425,603
Due Within One Year - OPEB	2,309,915
Due in More Than One Year Other Than OPEB and Pensions	196,500,844
Due in More Than One Year - OPEB	63,573,296
Net Pension Liability	147,840,166
Total Liabilities	<u>435,531,457</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Inflows of Resources	1,315,856
Deferred Inflows - Gain on Refunding	616,743
Deferred Inflows - OPEB	12,609,655
Deferred Inflows - Pensions	11,077,986
Total Deferred Inflows of Resources	<u>25,620,240</u>
NET POSITION	
Net Investment in Capital Assets	139,736,180
Restricted for:	
Capital Projects	3,244,173
Debt Service	6,581,707
Educational Programs	25,989,770
Self-Insurance Programs	6,814,708
Food Service Programs	6,795,886
Student Activity Programs	2,687,213
Unrestricted	(88,537,453)
Total Net Position	<u>\$ 103,312,184</u>

See accompanying Notes to Financial Statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 114,828,239	\$ 7,667	\$ 32,312,265	\$ (82,508,307)
Instruction - Related Services	23,692,790	453	2,347,140	(21,345,197)
Pupil Services	30,141,958	20,614	13,171,610	(16,949,734)
Ancillary Services	8,598,651	-	7,300,267	(1,298,384)
Enterprise Activities	298,676	-	-	(298,676)
General Administration	15,990,762	2,056	2,319,003	(13,669,703)
Plant Services	17,488,631	196	764,597	(16,723,838)
Other Outgo	6,691,495	295,589	3,024,334	(3,371,572)
Debt Service - Interest	5,912,670	-	-	(5,912,670)
Depreciation (Unallocated)	14,436,432	-	-	(14,436,432)
Amortization (Unallocated)	363,465	-	-	(363,465)
Total Governmental Activities	<u>\$ 238,443,769</u>	<u>\$ 326,575</u>	<u>\$ 61,239,216</u>	(176,877,978)
GENERAL REVENUES				
Property Taxes Levied for:				
General Purposes				99,829,386
Debt Service				12,024,229
Federal and State Aid Not Restricted to				
Specific Purposes				92,907,176
Interest and Investment Earnings				7,171,094
Developer Fees				1,716,125
Miscellaneous				4,888,852
Total General Revenues				<u>218,536,862</u>
CHANGES IN NET POSITION				
Net Position - Beginning of Year				<u>61,653,300</u>
NET POSITION - END OF YEAR				
				<u>\$ 103,312,184</u>

See accompanying Notes to Financial Statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024**

	General Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash in County Treasury	\$ 107,720,748	\$ 21,563,689	\$ 25,035,618	\$ 154,320,055
Cash in Banks	25,000	-	2,685,733	2,710,733
Cash in Revolving Fund	75,000	-	10,112	85,112
Cash with Fiscal Agent	92,990	-	-	92,990
Accounts Receivable	12,519,317	80,390	813,586	13,413,293
Lease Receivable - Current	96,900	-	-	96,900
Due from Other Funds	274,991	12,560	2,764,288	3,051,839
Stores	75,456	-	40,165	115,621
Prepaid Expenditures	85,180	-	-	85,180
Lease Receivable - Noncurrent	1,265,063	-	-	1,265,063
Total Assets	<u>\$ 122,230,645</u>	<u>\$ 21,656,639</u>	<u>\$ 31,349,502</u>	<u>\$ 175,236,786</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 10,711,438	\$ 994,474	\$ 1,132,543	\$ 12,838,455
Due to Other Funds	4,595,464	8,486	266,505	4,870,455
Unearned Revenue	740,085	-	69,367	809,452
Total Liabilities	<u>16,046,987</u>	<u>1,002,960</u>	<u>1,468,415</u>	<u>18,518,362</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Leases	1,315,856	-	-	1,315,856
Total Deferred Inflows of Resources	<u>1,315,856</u>	<u>-</u>	<u>-</u>	<u>1,315,856</u>
FUND BALANCES				
Nonspendable	235,636	-	50,277	285,913
Restricted	25,989,770	20,653,679	22,285,732	68,929,181
Committed	42,436,282	-	7,545,078	49,981,360
Assigned	15,479,713	-	-	15,479,713
Unassigned	20,726,401	-	-	20,726,401
Total Fund Balances	<u>104,867,802</u>	<u>20,653,679</u>	<u>29,881,087</u>	<u>155,402,568</u>
Total Liabilities and Fund Balances	<u>\$ 122,230,645</u>	<u>\$ 21,656,639</u>	<u>\$ 31,349,502</u>	<u>\$ 175,236,786</u>

See accompanying Notes to Financial Statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Total Fund Balances - Governmental Funds	\$ 155,402,568
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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	16,955,546	
Capital Assets Being Depreciated and Amortized, Net	301,695,695	322,137,162

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:

General Obligation Bonds	(186,989,073)	
Certificates of Participation (COP)	(15,766,859)	
Lease Payable	(93,062)	
Subscription Payable	(338,741)	
Compensated Absences	(1,738,712)	
Total/Net OPEB Liability	(65,883,211)	
Net Pension Liability	(147,840,166)	(418,649,824)

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 Outflows - Loss on Refunding	749,817	
Deferred Outflows - OPEB	18,153,721	
Deferred Outflows - Pensions	46,035,446	
Deferred Inflows - Gain on Refunding	(616,743)	
Deferred Inflows - OPEB	(12,609,655)	
Deferred Inflows - Pensions	(11,077,986)	40,634,600

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	7,021,404	
Less: Liabilities	(206,696)	6,814,708

Interest expense payable related to general obligation bonds and COP was incurred but is not accrued in governmental funds as of June 30

(3,027,030)

Total Net Position - Governmental Activities	\$ 103,312,184
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FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	General Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula (LCFF):				
State Apportionments	\$ 87,012,823	\$ -	\$ -	\$ 87,012,823
Local Sources	96,171,594	-	-	96,171,594
Total LCFF Sources	183,184,417	-	-	183,184,417
Federal Sources	16,919,348	-	3,453,978	20,373,326
Other State Sources	26,935,916	-	3,189,959	30,125,875
Other Local Sources	22,331,818	4,928,091	20,292,781	47,552,690
Total Revenues	249,371,499	4,928,091	26,936,718	281,236,308
EXPENDITURES				
Instruction	122,886,661	-	-	122,886,661
Instruction - Related Services	25,038,113	-	-	25,038,113
Pupil Services	26,804,557	-	4,511,761	31,316,318
Ancillary Services	3,390,554	-	5,342,673	8,733,227
Enterprise Activities	298,676	-	-	298,676
General Administration	15,678,046	-	425,552	16,103,598
Plant Services	34,578,687	12,233,997	2,793,475	49,606,159
Other Outgo	5,558,114	-	1,133,381	6,691,495
Debt Service	205,724	1,511,149	11,766,646	13,483,519
Total Expenditures	234,439,132	13,745,146	25,973,488	274,157,766
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,932,367	(8,817,055)	963,230	7,078,542
OTHER FINANCING SOURCES (USES)				
Issuance of SBITA	390,320	-	-	390,320
Interfund Transfers In	-	-	2,650,000	2,650,000
Interfund Transfers Out	(2,650,000)	-	-	(2,650,000)
Total Other Financing Sources (Uses)	(2,259,680)	-	2,650,000	390,320
NET CHANGES IN FUND BALANCE	12,672,687	(8,817,055)	3,613,230	7,468,862
Fund Balances - Beginning of Year	92,195,115	29,470,734	26,267,857	147,933,706
FUND BALANCES - END OF YEAR	<u>\$ 104,867,802</u>	<u>\$ 20,653,679</u>	<u>\$ 29,881,087</u>	<u>\$ 155,402,568</u>

See accompanying Notes to Financial Statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Net Change in Fund Balances - Total Governmental Funds	\$	7,468,862
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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, the costs is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital Asset Additions	\$ 31,929,126	
Depreciation and Amortization Expense	<u>(14,799,897)</u>	17,129,229

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 (GO) Bond Principal Payments	4,920,000	
Certificates of Participation (COP) Principal Payments	815,000	
Lease Payable Principal Payments	134,485	
Subscription Payable Principal Payments	<u>51,579</u>	5,921,064

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:

8,333,956

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:

2,071,925

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 Gain/Loss on Refunding Bonds	138,206	
Decrease in Accrued Interest	115,583	
Amortization of COP and GO Bond Premiums	1,395,996	
Increase in Subscription Payable	(390,320)	
Decrease in Compensated Absences	<u>106,142</u>	1,365,607

Internal service funds are used by the District to manage self insurance programs. Net income is reported with governmental activities.

(631,759)

Change in Net Position of Governmental Activities	\$	<u>41,658,884</u>
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**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2024**

	Governmental Activities Self-Insurance Fund
ASSETS	
Cash in County Treasury	\$ 4,983,631
Cash in Banks	200,000
Accounts Receivable	19,157
Due from Other Funds	1,818,616
Total Assets	<u>7,021,404</u>
LIABILITIES	
Accounts Payable	118,112
Claims Liability and Estimated Liability for Open Claims Incurred but Not Recorded (IBNR)	88,584
Total Liabilities	<u>206,696</u>
NET POSITION	
Restricted for Self-Insurance Programs	<u>6,814,708</u>
Total Net Position	<u><u>\$ 6,814,708</u></u>

See accompanying Notes to Financial Statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2024**

	Governmental Activities Self-Insurance Fund
OPERATING REVENUES	
Self-Insurance Premiums	\$ 25,272,220
Total Operating Revenues	<u>25,272,220</u>
OPERATING EXPENSES	
Employee Benefits	80,178
Books and Supplies	9,010
Services and Other Operating Expenses	26,116,760
Total Operating Expenses	<u>26,205,948</u>
OPERATING LOSS	(933,728)
NONOPERATING REVENUES	
Interest Income	301,969
Total Nonoperating Revenues	<u>301,969</u>
NET LOSS	(631,759)
Net Position - Beginning of Year	<u>7,446,467</u>
NET POSITION - END OF YEAR	<u><u>\$ 6,814,708</u></u>

See accompanying Notes to Financial Statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2024**

	Governmental Activities Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums and Other Revenues	\$ 24,677,940
Cash Paid to/on Behalf of Employees	(80,178)
Cash Paid to Vendors for Services and Other Operating Expenses	(29,468,807)
Net Cash Used by Operating Activities	<u>(4,871,045)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	314,631
Net Cash Provided by Investing Activities	<u>314,631</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,556,414)
Cash - Beginning of Year	<u>9,740,045</u>
CASH - END OF YEAR	<u><u>\$ 5,183,631</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (933,728)
Changes in Operating Assets and Liabilities:	
Due from Other Funds	(594,280)
Accounts Payable	19,198
Claims Liability and IBNR	(3,362,235)
Net Cash Used by Operating Activities	<u><u>\$ (4,871,045)</u></u>
Cash and cash equivalents balances at June 30, 2024 consisted of the following:	
Cash in County Treasury	\$ 4,983,631
Cash in Banks	200,000
Total Cash and Cash Equivalents	<u><u>\$ 5,183,631</u></u>

See accompanying Notes to Financial Statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
JUNE 30, 2024**

	Debt Service Custodial Fund for Special Tax Bonds
ASSETS	
Cash in County Treasury	\$ 480,607
Cash with Fiscal Agent	127,825
Accounts Receivable	1,758
Total Assets	<u>610,190</u>
NET POSITION	
Restricted for Debt Service	<u>610,190</u>
Total Net Position	<u><u>\$ 610,190</u></u>

See accompanying Notes to Financial Statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
YEAR ENDED JUNE 30, 2024**

	Debt Service Custodial Fund for Special Tax Bonds
ADDITIONS	
Property Taxes Levied for Debt Service	\$ 233,510
Interest Income	17,410
Total Additions	<u>250,920</u>
DEDUCTIONS	
Debt Service - Principal	70,000
Debt Service - Interest	48,527
Total Deductions	<u>118,527</u>
CHANGE IN NET POSITION	132,393
Net Position - Beginning of Year	<u>477,797</u>
NET POSITION - END OF YEAR	<u><u>\$ 610,190</u></u>

See accompanying Notes to Financial Statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the California 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 generally accepted in the United States of America (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.

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, amortization and interest expense have not been allocated to specific functions.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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. Nonmajor 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.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 – Nonmajor

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.

Student Activity Special Revenue Fund: used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The amounts reported represent the combined totals of all schools within the District that operate Associated Student Body Funds.

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

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds – Nonmajor (Continued)

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

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 accounting principles generally accepted in the United States of America.

Debt Service Funds: used to account for the financial resources that are restricted and the accumulation of resources for, 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 bonds.

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 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.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of state apportionment, interest and reimbursement grants which are considered available as collectible within one year.

Government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Governmental funds use the current financial resources measurement focus and 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.

Stores

Stores consists of expendable supplies held for consumption. Stores 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, 2024, 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 is reported in the year in which goods or services are consumed.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their 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/amortized. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation/amortization is computed using the straight-line method over the following useful lives:

Buildings and Improvements	15 to 50 Years
Equipment	5 to 20 Years

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred Outflows/Inflows – Loss/Gain on Refunding

The deferred outflows/inflows of resources related to the loss/gain 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.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

Deferred Outflows/Inflows – OPEB

The deferred outflows/inflows of resources related to OPEB benefits resulted from the effects of actuarially determined changes to the OPEB plan. Deferred outflows – OPEB will be deferred and amortized as detailed in Note 13 to the financial statements.

Deferred Outflows/Inflows – Pensions

The deferred outflows/inflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans and the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 14 to the financial statements.

Unearned Revenue

Cash received for federal, and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash is received for fees not earned.

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 interest 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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the District's OPEB liability related to the Medicare Premium Payment (MPP) Program, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPP Program and additions to/deductions from the MPP Program fiduciary net position have been determined on the same basis as they are reported by the MPP Program. For this purpose, the MPP Program recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (collectively, the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, plan contributions are recognized in the payroll period in which they are earned and benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 and amortization, 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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31.

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 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

Accounting principles generally accepted in the United States of America 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.

Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from nonoperating 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. Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating revenues by GASB.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

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. The following potential component unit has been included in the District's reporting entity:

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.

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 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 (nonobligatory debt). Individually prepared financial statements are not prepared for the CFD.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 accounting principles generally accepted in the United States of America.

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

Custodial Credit Risk - Deposits

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, 2024, \$2,976,456 of the District's bank balance of \$3,357,546 was exposed to credit risk as it was uninsured and collateral was held by the pledging bank's trust department, not in the District's name.

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, 2024 is measured at 99.7% 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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash in County (Continued)

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 County 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 consists of the following as of June 30, 2024:

	General Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal and State	\$ 11,609,200	\$ -	\$ 683,575	\$ 12,292,775
Miscellaneous	910,117	80,390	130,011	1,120,518
Total Accounts Receivable	<u>\$ 12,519,317</u>	<u>\$ 80,390</u>	<u>\$ 813,586</u>	<u>\$ 13,413,293</u>

	Self-Insurance Fund	Custodial Fund	Total Governmental Activities
Federal and State	\$ -	\$ -	\$ 12,292,775
Miscellaneous	19,157	1,758	1,141,433
Total Accounts Receivable	<u>\$ 19,157</u>	<u>\$ 1,758</u>	<u>\$ 13,434,208</u>

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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 are temporary loans and are detailed as follows at June 30:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General Fund	\$ 274,991	\$ 4,595,464
Building Fund	12,560	8,486
Nonmajor Governmental Funds:		
Cafeteria Fund	114,288	266,505
Special Reserve for Capital Outlay Projects	2,650,000	-
Proprietary Funds:		
Internal Service	1,818,616	-
Total	<u>\$ 4,870,455</u>	<u>\$ 4,870,455</u>

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 2023-24 fiscal year are as follows:

Transfer from the General Fund to the Special Reserve Fund for Capital Outlay Projects to Cover Construction Costs.	\$ 2,650,000
Total	<u>\$ 2,650,000</u>

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 FUND BALANCES

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

	General Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Cash in Revolving Fund	\$ 75,000	\$ -	\$ 10,112	\$ 85,112
Stores	85,180	-	40,165	125,345
Prepaid Expenditures	75,456	-	-	75,456
Total Nonspendable	235,636	-	50,277	285,913
Restricted:				
Legally Restricted Programs	25,989,770	-	-	25,989,770
Child Nutrition Program	-	-	6,747,088	6,747,088
Debt Service	-	-	9,608,737	9,608,737
Capital Projects	-	20,653,679	3,244,173	23,897,852
Student Activity Funds	-	-	2,685,734	2,685,734
Total Restricted	25,989,770	20,653,679	22,285,732	68,929,181
Committed:				
Future Board Purposes	42,436,282	-	-	42,436,282
Capital Projects	-	-	7,545,078	7,545,078
Total Committed	42,436,282	-	7,545,078	49,981,360
Assigned:				
Deferred Maintenance	3,341,557	-	-	3,341,557
Postemployment Benefits	9,138,155	-	-	9,138,155
Other Assignments	3,000,000	-	-	3,000,000
Total Assigned	15,479,712	-	-	15,479,712
Unassigned:				
Economic Uncertainties	7,120,000	-	-	7,120,000
Unassigned	13,606,402	-	-	13,606,402
Total Unassigned	20,726,402	-	-	20,726,402
Total Fund Balance	\$ 104,867,802	\$ 20,653,679	\$ 29,881,087	\$ 155,402,568

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital Assets Not Being Depreciated:				
Land	\$ 3,485,921	\$ -	\$ -	\$ 3,485,921
Construction in Progress	20,811,550	23,335,152	27,191,156	16,955,546
Total Capital Assets, Not Being Depreciated	24,297,471	23,335,152	27,191,156	20,441,467
Capital Assets Being Depreciated:				
Buildings and Improvements	390,583,074	33,794,894	-	424,377,968
Equipment	31,475,236	1,599,916	-	33,075,152
Total Capital Assets, Being Depreciated	422,058,310	35,394,810	-	457,453,120
Less: Accumulated Depreciation:				
Buildings and Improvements	(121,715,264)	(12,832,510)	-	(134,547,774)
Equipment	(20,056,312)	(1,603,922)	-	(21,660,234)
Total Accumulated Depreciation	(141,771,576)	(14,436,432)	-	(156,208,008)
Total Capital Assets, Being Depreciated, Net	280,286,734	20,958,378	-	301,245,112
Right-to-Use Lease Assets:				
Equipment	499,113	-	98,773	400,340
Total Right-to-Use Lease Assets	499,113	-	98,773	400,340
Less: Accumulated Amortization:				
Equipment	(278,657)	(131,722)	(98,773)	(311,606)
Total Accumulated Amortization	(278,657)	(131,722)	(98,773)	(311,606)
Total Right-to-Use Lease Assets, Net	220,456	(131,722)	-	88,734
Subscription Based Information Technology Arrangement (SBITA) Assets:				
SBITA	366,228	390,320	61,320	695,228
Less: Accumulated Amortization:				
SBITA	(162,956)	(231,743)	(61,320)	(333,379)
Total Accumulated Amortization	(162,956)	(231,743)	(61,320)	(333,379)
Total SBITA Assets, Net	203,272	158,577	-	361,849
Total Capital Assets, Net	\$ 305,007,933	\$ 44,320,385	\$ 27,191,156	\$ 322,137,162

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8 LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2024, are as follows:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Amount Due in One Year
General Obligation (GO) Bonds	\$ 182,620,000	\$ -	\$ 4,920,000	\$ 177,700,000	\$ 5,570,000
Unamortized Bond Premium	10,563,531	-	1,274,458	9,289,073	-
Total GO Bonds	193,183,531	-	6,194,458	186,989,073	5,570,000
Certificates of Participation (COPS)	15,755,000	-	815,000	14,940,000	860,000
Unamortized COP Premium	948,397	-	121,538	826,859	-
Total COP	16,703,397	-	936,538	15,766,859	860,000
Lease Payable	227,547	-	134,485	93,062	92,505
Subscription Payable	-	390,320	51,579	338,741	164,386
Compensated Absences	1,844,854	-	106,142	1,738,712	1,738,712
Total	\$ 211,959,329	\$ 390,320	\$ 7,423,202	\$ 204,926,447	\$ 8,425,603

Lease payable is liquidated by the General Fund. COPS are liquidated by the Capital Facilities Fund. Liabilities for all GO bonds are liquidated through property tax collections as administered by the county office through the Bond Interest and Redemption Fund. Compensated absences are liquidated by the fund recording the associated salary expenses.

NOTE 9 LEASE PAYABLE

The District leases various office equipment under long-term, noncancelable lease agreements. The leases expire in October 2025 and were calculated at 3.24% based on the District's incremental cost of borrowing.

Principal and interest requirements to maturity under the lease agreements are as follows:

Year Ending June 30,	Principal	Interest
2025	\$ 92,505	\$ 1,167
2026	557	2
Total	\$ 93,062	\$ 1,169

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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 2007 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 to interest expense 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 to interest expense over the life of the new debt. The payment to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$1,855,139. Amortization of \$121,538 was recognized during the year.

Payments are required to be deposited into a 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.

The debt service requirements for the certificates are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 860,000	\$ 654,275
2026	905,000	610,150
2027	950,000	563,775
2028	1,000,000	515,025
2029	1,050,000	463,775
2030-2034	5,960,000	1,605,963
2035-2037	4,215,000	323,125
Total	<u>\$ 14,940,000</u>	<u>\$ 4,736,088</u>

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11 GENERAL OBLIGATION BONDS

Measure AA

On March 5, 2002, 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. On September 4, 2002 and March 23, 2005, the District offered for sale Series A bonds of \$37,997,910 of Series A bonds and \$29,940,000 of Series B bonds.

2020 General Obligation Refunding Bonds

On June 10, 2020, the District offered for sale \$15,295,000 General Obligation Refunding Bonds. The bonds were issued to advance refund a portion of the District's 2010 General Obligation Refunding Bonds. A premium received of \$2,832,102 is included in the net carrying balance of the debt. The net carrying amount of the old debt exceeded the reacquisition price by \$1,382,888 and is included in the net carrying balance of the deferred inflow of resources.

2021 General Obligation Refunding Bonds

On May 5, 2021, the District offered for sale \$16,450,000 General Obligation Refunding Bonds. The bonds were issued to advance refund a portion of the District's 2013 General Obligation Refunding Bonds. A premium received of \$881,675 is included in the net carrying balance of the debt. The net carrying amount of the old debt exceeded the reacquisition price by \$188,502 and is included in the net carrying balance of the deferred inflow of resources. The proceeds associated with this refunding were deposited in an escrow account to be redeemed on August 1, 2023 and as such the applicable bonds are considered in-substance defeased. The outstanding balance of the defeased debt was roughly \$15.8 million as of June 30, 2024.

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.

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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11 GENERAL OBLIGATION BONDS (CONTINUED)

Measure I (Continued)

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.

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.

Series D

On February 27, 2019 the District issued \$21,000,000 of 2019 General Obligation Bonds, Series D. A premium received of \$2,335,981 is included in the net carrying balance of the debt.

Series E

On June 10, 2020 the District issued \$23,500,000 of 2019 General Obligation Bonds, Series E. A premium received of \$1,708,494 is included in the net carrying balance of the debt.

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

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2024
Measure AA:					
2020 Refunding	6/10/2020	8/1/2027	5.0	15,295,000	9,295,000
2021 Refunding	5/5/2021	8/1/2029	1.7-4.0	16,450,000	15,880,000
Total Measure AA				31,745,000	25,175,000
Measure I:					
Series A	10/28/2015	8/1/2040	2.5-5.0	42,500,000	31,420,000
Series B	4/26/2017	8/1/2041	3.3-5.0	40,000,000	31,800,000
Series C	4/25/2018	8/1/2042	3.4-5.0	48,000,000	45,655,000
Series D	2/27/2019	8/1/2042	3.5-5.5	21,000,000	20,540,000
Series E	6/10/2020	8/1/2043	2.0-5.0	23,500,000	23,110,000
Total Measure I				175,000,000	152,525,000
Total				<u>\$ 206,745,000</u>	<u>\$ 177,700,000</u>

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11 GENERAL OBLIGATION BONDS (CONTINUED)

The debt service requirements for the general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 5,570,000	\$ 6,594,147
2026	6,460,000	6,309,471
2027	6,790,000	5,992,371
2028	7,540,000	5,649,096
2029	8,755,000	5,331,246
2030-2034	33,570,000	22,930,289
2035-2039	46,925,000	15,349,765
2040-2044	62,090,000	5,009,357
Total	<u>\$ 177,700,000</u>	<u>\$ 73,165,743</u>

NOTE 12 NONOBLIGATORY DEBT

Nonobligatory 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 \$1.02 million as of June 30, 2024, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13 POSTEMPLOYMENT HEALTHCARE BENEFITS

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

As of June 30, 2024, the District's total liability for postemployment healthcare benefits consisted of the following:

	Total/Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense / (Benefit)
Retiree Benefits Plan	\$ 65,206,546	\$ 18,153,721	\$ 12,609,655	\$ 5,131,895
MPP Program	676,665	-	-	(67,804)
Total	<u>\$ 65,883,211</u>	<u>\$ 18,153,721</u>	<u>\$ 12,609,655</u>	<u>\$ 5,064,091</u>

The details of the plans are as follows:

Retiree 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 66 retirees and beneficiaries currently receiving benefits, and 869 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. As of June 30, 2024, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors. The District contributes 100% of the cost equivalent to the premium of HMO single coverage. For the year ended June 30, 2024, the District contributed \$2,309,915 to the plan. Contributions include an implicit rate subsidy of \$1,230,459.

Total OPEB Liability

At June 30, 2024 the total OPEB liability was \$65,206,546.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Retiree Benefits Plan (Continued)

Actuarial Methods and Assumptions

The total OPEB liability was determined based on an actuarial valuation as of July 1, 2024. The following actuarial assumptions used in the July 1, 2024 valuation, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2024
Measurement Date	June 30, 2024
Actuarial Costs Method	Entry Age Normal
Salary Increases	3.25%
Healthcare Costs Trend Rate	7.00%

Mortality assumptions are based on the 2024 CalSTRS mortality experience study for certificated employee types and the 2021 CalPERS mortality experience study for the classified employee types.

Actuarial assumptions used in the July 1, 2024 valuation were based on a review of plan experience turnover tables 2024 CalSTRS retirement rates for certificated employee types and 2021 CalPERS retirement rates for classified employee types.

Discount Rate

The discount rate used to measure the OPEB liability was 4.21%. 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

Changes for the Year:	
Service Cost	\$ 2,890,660
Interest Cost	2,674,427
Changes in Assumptions	4,738,550
Benefit Payments	(2,309,915)
Net Change in Total OPEB Liability	<u>2,197,835</u>
 Total OPEB Liability - Beginning Balance	 <u>63,008,711</u>
 Total OPEB Liability - Ending Balance	 <u><u>\$ 65,206,546</u></u>

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Retiree Benefits Plan (Continued)

Sensitivity

The following present the District's OPEB liability calculated using the discount rate of 4.21% 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:

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% Decrease	\$ 70,030,241
Current Discount Rate	65,206,546
1% Increase	60,635,803

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 than the current rate.

<u>Healthcare Trend Rate:</u>	<u>Total OPEB Liability</u>
1% Decrease	\$ 58,813,323
Current Healthcare Trend Rate	65,206,546
1% Increase	72,568,789

Amortization of Deferred Outflows and Deferred Inflows of Resources

At June 30, 2024, the District reported deferred outflows and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 12,345,040	\$ -
Changes of Assumptions	5,808,681	12,609,655
Total	<u>\$ 18,153,721</u>	<u>\$ 12,609,655</u>

The deferred outflows and deferred inflows of resources are amortized over the average working lifetime of active and inactive participants which was calculated at 9.13 years. This amount will be amortized to offset OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2025	\$ (433,192)
2026	(455,400)
2027	(543,746)
2028	(969,138)
2029	(1,271,368)
Thereafter	(1,871,222)
Total	<u>\$ (5,544,066)</u>

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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 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 year ending June 30, 2023, 5,025 retirees participated in the MPP Program.

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, 2024 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 2023-24 were \$25.81 million. The District's contributions to the MPP Program for fiscal year 2023-24 were estimated at \$57 thousand.

Net OPEB Liability

As of June 30, 2024, 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:

	Balance June 30, 2024
Proportionate Share of OPEB Liability	
Total OPEB Liability	\$ 670,263
Plan Fiduciary Net Position	(6,401)
Net OPEB Liability	<u>\$ 676,664</u>

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Medicare Premium Payment Program (MPP) (Continued)

Net OPEB Liability (Continued)

As the MPP Program is funded on a pay-as-you-go basis from redirected contributions from the STRP, the District has elected to calculate their proportionate share based on the audited proportionate share schedules of the STRP. This schedule presents the projection of the District's long-term share of contributions to the STRP relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2023, the District's proportion was 0.223% which is a decrease of 0.003% from its proportion measured as of June 30, 2022.

Actuarial Methods and Assumptions

Total OPEB liability for the MPP Program was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total OPEB liability to June 30, 2023 using the assumptions listed in the following table:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	3.65%
Medicare Part A Premium Costs Trend Rate	4.50%
Medicare Part B Premium Costs Trend Rate	5.40%

In addition, assumptions were made about future participation (enrollment) into the MPP Program as 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 but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 179 or an average of 0.13 percent of the potentially eligible population of 138,780.

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 our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Medicare Premium Payment Program (MPP) (Continued)

Actuarial Methods and Assumptions (Continued)

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

The discount rate used to measure the total OPEB liability as of June 30, 2023 was 3.65%, which was an increase from 3.54% in the prior fiscal year. 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. The MPP Program used the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2023, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability.

The following table presents the net OPEB liability 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 one percent lower or one percent higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability	\$ 735,395	\$ 676,664	\$ 625,598

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Medicare Premium Payment Program (MPP) (Continued)

Medicare Costs Trend Rate

The June 30, 2022, valuation uses the 2023 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 4.50 percent increase each year. The Part B trend is approximately equivalent to assuming a fixed 5.40 percent increase each year.

The following table presents the net OPEB liability 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 one percent lower and one percent higher than the current rate:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Net OPEB Liability	\$ 622,599	\$ 676,664	\$ 737,703

Amortization of Deferred Outflows and Deferred Inflows of Resources

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 outflows and inflows of resources are recognized in OPEB expense in the current period. The net deferred outflows and inflows relating to differences between projected and actual earnings on plan investments 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 annual comprehensive financial report on the CalSTRS website. Copies of the CalSTRS annual comprehensive financial report may also be obtained from CalSTRS.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024, 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:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS (STRP)	\$ 98,247,690	\$ 29,564,317	\$ 8,006,193	\$ 19,973,415
CalPERS (Schools Pool Plan)	49,592,476	16,471,129	3,071,793	7,533,243
Total	<u>\$ 147,840,166</u>	<u>\$ 46,035,446</u>	<u>\$ 11,077,986</u>	<u>\$ 27,506,658</u>

The details of each plan are as follows:

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% 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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 14 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

Benefits Provided (Continued)

The STRP provisions and benefits in effect at June 30, 2024 are summarized as follows:

<u>Provisions and Benefits</u>	<u>STRP Defined Benefit Program and Supplement Program</u>	
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%	10.205%
Required Employer Contribution Rate	19.10%	19.10%
Required State Contribution Rate	10.828%	10.828%

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, 2024 are presented above and the total District contributions were \$16,757,870.

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

At June 30, 2024, 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:

	Balance
	<u>June 30, 2024</u>
District Proportionate Share of the Net Pension Liability	\$ 98,247,690
State's Proportionate Share of the Net Pension Liability	
Associated with the District	47,074,081
Total	<u><u>\$ 145,321,771</u></u>

The net pension liability was measured as of June 30, 2023. 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, 2023, the District's proportion was 0.129% which is the same proportion measured as of June 30, 2022.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 14 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

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

For the year ended June 30, 2024, the District recognized pension expense of \$13,570,039 and revenue and corresponding expense of \$6,403,376 for contributions provided by the state representing total pension expense of \$19,973,415. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 16,757,870	\$ -
Differences Between Expected and Actual Experience	7,720,650	5,256,750
Changes of Assumptions	568,890	-
Changes in Proportion	4,096,367	2,749,443
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	420,540	-
Total	<u>\$ 29,564,317</u>	<u>\$ 8,006,193</u>

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, 2025. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line 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, 2023 measurement date is seven years.

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

<u>Year Ending June 30,</u>	<u>Amortization</u>
2025	\$ (2,657,277)
2026	(4,389,744)
2027	8,989,616
2028	1,048,343
2029	522,541
2030	1,286,775
Total	<u>\$ 4,800,254</u>

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 14 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

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, 2022, and rolling forward the total pension liability to June 30, 2023. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The financial reporting actuarial valuation as of June 30, 2022 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Experience Study	July 1, 2015 through June 30, 2018
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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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 investment staff and investment consultants and adopted by the CalSTRS Board in January 2020. Best estimates of 20-year geometrically linked 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
Public Equity	38 %	5.25 %
Real Estate	15	4.05
Private Equity	14	6.75
Fixed Income	14	2.45
Risk Mitigating Strategies	10	2.25
Inflation Sensitive	7	3.65
Cash/Liquidity	2	0.05

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 14 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that 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 of 7.10% and assume that contributions, benefit payments, and administrative expense occur 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 the 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease	\$ 164,802,660
Current Discount Rate	98,247,690
1% Increase	42,966,030

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate annual comprehensive financial report on the CalSTRS website. Copies of the CalSTRS annual comprehensive financial report may be obtained from CalSTRS.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 14 EMPLOYEE RETIREMENT PLANS (CONTINUED)

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, 2024 are summarized as follows:

<u>Provisions and Benefits</u>	<u>Schools Pool Plan (CalPERS)</u>	
	On or Before December 31, 2012	On or After January 1, 2013
Hire Date		
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%	8.00%
Required Employer Contribution Rate	26.68%	26.68%

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 14 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS) (Continued)

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, 2024 are as presented above and the total District contributions were \$6,765,034.

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

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$49,592,476. The net pension liability was measured as of June 30, 2023. 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, 2023, the District's proportion was 0.1370% which is a decrease of 0.0110% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the District recognized pension expense of \$7,504,760. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 6,765,034	\$ -
Differences Between Expected and Actual Experience	1,809,770	761,668
Changes of Assumptions	2,284,706	-
Changes in Proportion	314,434	2,310,125
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	5,297,185	-
Total	<u>\$ 16,471,129</u>	<u>\$ 3,071,793</u>

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 14 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS) (Continued)

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

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, 2025. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARS�) of the plan participants. The EARS� for the CalPERS Schools Pool Plan for the June 30, 2023 measurement date is 3.8 years.

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

<u>Year Ending June 30,</u>	<u>Amortization</u>
2025	\$ 1,867,538
2026	1,190,382
2027	3,411,529
2028	164,853
Total	<u>\$ 6,634,302</u>

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, 2022, and rolling forward the total pension liability to June 30, 2023. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The financial reporting actuarial valuation as of June 30, 2022 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Experience Study	2000 through 2019
Actuarial Cost Method	Entry Age Normal
Discount Rate	6.90%
Investment Rate of Return	6.90%
Consumer Price Inflation	2.30%
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 rates include generational mortality improvements using 80% of scale MP 2020 published by the Society of Actuaries.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 14 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS) (Continued)

Actuarial Methods and Assumptions (Continued)

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. 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 - Cap-weighted	30 %	4.54 %
Global Equity - Non-cap-weighted	12	3.84
Private Equity	13	7.28
Treasury	5	0.27
Mortgage-backed Securities	5	0.50
Investment Grade Corporates	10	1.56
High Yield	5	2.27
Emerging Market Debt	5	2.48
Private Debt	5	3.57
Real Assets	15	3.21
Leverage	(5)	(0.59)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%, which was unchanged from the prior fiscal year. This rate 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 expected rate of return on plan investments was applied to all periods of projected benefit payments to determine total pension liability.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 14 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS) (Continued)

Discount Rate (Continued)

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	\$ 71,697,902
Current Discount Rate	49,592,476
1% Increase	31,322,845

Plan Fiduciary Net Position

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate annual comprehensive financial report available on the CalPERS website. Copies of the CalPERS annual comprehensive financial report may be obtained from CalPERS.

NOTE 15 INTERNAL SERVICE FUND

The District is self-insured under the California Education Code Section 39602 for employee vision and dental 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

Employee Vision and Dental Benefits

Limits

Occurrences Up to \$2,200 Per Employee Yearly

The self-insurance activity for the dental program has been recorded in the Internal Service Fund. There were no claims settled in 2024 which exceeded the excess insurance amount. Changes in the claim's liability for workers' compensation in fiscal years 2023-24 were as follows:

Reported Liability	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Dental Program	88,584	434,138	434,138	88,584
Total	\$ 88,584	\$ 434,138	\$ 434,138	\$ 88,584

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 16 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).

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.

SELF arranges for and provides a self-funded excess liability fund for its member 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.

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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 17 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, 2024, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$5.3 million. Projects will be funded through bond proceeds and redevelopment pass-through distributions.

REQUIRED SUPPLEMENTARY INFORMATION

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
YEAR ENDED JUNE 30, 2024**

	Budgetary Amounts - General Fund		Actual Amounts	(a) Fund Basis to GAAP	Actual Amounts
	Original	Final	General Fund		GAAP Basis
REVENUES					
Local Control Funding Formula (LCFF):					
State Apportionments	\$ 93,957,507	86,629,098	\$ 87,012,823	\$ -	\$ 87,012,823
Local Sources	90,489,326	96,655,339	96,171,594	-	96,171,594
Total LCFF Sources	184,446,833	183,284,437	183,184,417	-	183,184,417
Federal Sources	20,702,791	18,837,751	16,919,348	-	16,919,348
Other State Sources	16,928,908	26,115,723	26,935,916	-	26,935,916
Other Local Sources	14,520,419	9,206,707	21,731,260	600,557	22,331,817
Total Revenues	236,598,951	237,444,618	248,770,941	600,557	249,371,498
EXPENDITURES					
Certificated salaries	89,671,015	88,994,680	90,493,587	-	90,493,587
Classified Salaries	30,029,318	28,712,489	28,693,297	-	28,693,297
Employee Benefits	59,516,556	59,924,800	58,577,406	-	58,577,406
Books and Supplies	12,444,538	16,256,539	13,784,899	-	13,784,899
Services and Other Operating					
Expenditures	27,822,399	31,114,161	24,073,217	1,939,491	26,012,708
Capital Outlay	12,800,876	11,804,175	10,752,868	485,617	11,238,485
Other Outgo and Indirect Costs	5,474,621	5,951,772	5,638,749	-	5,638,749
Total Expenditures	237,759,323	242,758,616	232,014,023	2,425,108	234,439,131
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,160,372)	(5,313,998)	16,756,918	(1,824,551)	14,932,367
OTHER FUNDING SOURCES (USES)					
Proceeds from SBITA	-	-	390,320	-	390,320
Interfund Transfers In (b)	577,112	577,112	793,231	(793,231)	-
Interfund Transfers Out (b)	(3,250,000)	(5,250,000)	(5,250,000)	2,600,000	(2,650,000)
Total Other Financing Sources (Uses)	(2,672,888)	(4,672,888)	(4,066,449)	1,806,769	(2,259,680)
NET CHANGE IN FUND BALANCES	<u>\$ (3,833,260)</u>	<u>\$ (9,986,886)</u>	12,690,469	(17,782)	12,672,687
Fund Balance - Beginning of Year			79,697,621	12,497,494	92,195,115
FUND BALANCE - END OF YEAR			<u>\$ 92,388,090</u>	<u>\$ 12,479,712</u>	<u>\$ 104,867,802</u>

(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, Deferred Maintenance Fund, and the Special Reserve Fund for Other than Capital Outlay is eliminated.

See accompanying Notes to Required Supplementary Information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
AND RELATED RATIOS – RETIREE BENEFITS PLAN
YEARS ENDED JUNE 30,**

Retiree Benefits Plan	2024	2023	2022	2021
Total OPEB Liability:				
Service Cost	\$ 2,890,660	\$ 2,942,942	\$ 3,956,732	\$ 3,776,278
Interest Cost	2,674,427	2,465,266	1,580,781	1,774,569
Differences Between Expected and Actual Experience	(5,795,887)	-	(5,864,067)	-
Changes in Assumptions	4,738,550	1,312,628	(8,614,809)	2,547,275
Expected Benefit Payments	(2,309,915)	(2,068,548)	(2,503,268)	(2,451,697)
Net Change in Total OPEB Liability	2,197,835	4,652,288	(11,444,631)	5,646,425
Total OPEB Liability - Beginning	63,008,711	58,356,423	69,801,054	64,154,629
Total OPEB Liability - Ending	<u>\$ 65,206,546</u>	<u>\$ 63,008,711</u>	<u>\$ 58,356,423</u>	<u>\$ 69,801,054</u>
District's Covered Payroll	\$ 91,880,146	\$ 86,573,202	\$ 89,350,272	\$ 82,271,341
Total OPEB Liability as a Percentage of Covered Payroll	71%	73%	65%	85%
	2020	2019	2018	
Total OPEB Liability:				
Service Cost	\$ 2,851,179	\$ 2,868,535	\$ 2,928,786	
Interest Cost	1,621,841	1,646,958	1,637,733	
Differences Between Expected and Actual Experience	(7,911,225)	-	-	
Changes in Assumptions	13,586,439	815,295	622,561	
Expected Benefit Payments	(2,528,465)	(2,371,439)	(2,001,577)	
Net Change in Total OPEB Liability	7,619,769	2,959,349	3,187,503	
Total OPEB Liability - Beginning	56,534,860	53,575,511	50,388,008	
Total OPEB Liability - Ending	<u>\$ 64,154,629</u>	<u>\$ 56,534,860</u>	<u>\$ 53,575,511</u>	
District's Covered Payroll	\$ 85,176,500	\$ 77,229,402	\$ 80,637,172	
Total OPEB Liability as a Percentage of Covered Payroll	75%	73%	66%	

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 accompanying Notes to Required Supplementary Information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY – MEDICARE PREMIUM PAYMENT PLAN
YEARS ENDED JUNE 30,**

Medicare Premium Payment Program	2024	2023	2022	2021
Measurement Date	6/30/2023	6/30/2022	6/30/2021	6/30/2020
District's Proportion of the Net OPEB Liability	0.223%	0.226%	0.233%	0.193%
District's Proportionate Share of the Net OPEB Liability	\$ 676,665	\$ 744,469	\$ 930,057	\$ 817,905
District's Covered Payroll *	\$ -	\$ -	\$ -	\$ -
Net OPEB liability as a Percentage of Covered Payroll *	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.96%	-0.94%	-0.80%	-0.71%
	2020	2019	2018	
Measurement Date	6/30/2019	6/30/2018	6/30/2017	
District's Proportion of the Net OPEB Liability	0.191%	0.198%	0.198%	
District's Proportionate Share of the Net OPEB Liability	\$ 711,278	\$ 757,883	\$ 833,002	
District's Covered Payroll *	\$ -	\$ -	\$ -	
Net OPEB liability as a Percentage of Covered Payroll *	N/A	N/A	N/A	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.81%	-0.40%	0.01%	

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is 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 payroll is zero.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
YEARS ENDED JUNE 30,**

CalSTRS - STRP	2024	2023	2022	2021	2020
Measurement Period	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
District's Proportion of the Net Pension Liability (NPL)	0.129%	0.129%	0.133%	0.127%	0.124%
District's Proportionate Share of the NPL	\$ 98,247,690	\$ 89,636,940	\$ 60,525,640	\$123,074,430	\$111,991,840
State's Proportionate Share of the NPL Associated with the District	47,074,081	44,890,442	30,454,789	63,444,370	61,099,519
Total	<u>\$145,321,771</u>	<u>\$134,527,382</u>	<u>\$ 90,980,429</u>	<u>\$186,518,800</u>	<u>\$173,091,359</u>
District's Covered Payroll	\$ 80,300,000	\$ 75,800,000	\$ 73,800,000	\$ 70,000,000	\$ 67,100,000
District's Proportionate Share of the NPL as a Percentage of its Covered Payroll	122%	118%	82%	176%	167%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81%	81%	87%	72%	73%
	2019	2018	2017	2016	2015
Measurement Period	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's Proportion of the NPL	0.126%	0.126%	0.128%	0.128%	0.145%
District's Proportionate Share of the NPL	\$115,802,820	\$116,524,800	\$103,527,680	\$ 86,174,720	\$ 84,733,650
State's Proportionate Share of the NPL Associated with the District	66,302,855	68,935,649	58,945,139	45,576,805	51,166,350
Total	<u>\$182,105,675</u>	<u>\$185,460,449</u>	<u>\$162,472,819</u>	<u>\$131,751,525</u>	<u>\$135,900,000</u>
District's Covered Payroll	\$ 68,600,000	\$ 67,800,000	\$ 65,500,000	\$ 61,700,000	\$ 61,200,000
District's Proportionate Share of the NPL as a Percentage of its Covered Payroll	169%	172%	158%	140%	138%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71%	69%	70%	74%	77%

See accompanying Notes to Required Supplementary Information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (CONTINUED)
YEARS ENDED JUNE 30,**

CalPERS - Schools Pool Plan	2024	2023	2022	2021	2020
Measurement Period	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
District's Proportion of the Net Pension Liability (NPL)	0.1370%	0.1480%	0.1471%	0.1445%	0.1431%
District's Proportionate Share of the NPL	\$ 49,592,476	\$ 50,925,446	\$ 29,911,950	\$ 44,337,045	\$ 41,705,424
District's Covered Payroll	\$ 23,400,000	\$ 21,850,000	\$ 20,300,000	\$ 21,100,000	\$ 19,100,000
District's Proportionate Share of the NPL as a Percentage of its Covered Payroll	212%	233%	147%	210%	218%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70%	70%	81%	70%	70%
	2019	2018	2017	2016	2015
Measurement Period	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's Proportion of the NPL	0.1484%	0.1491%	0.1477%	0.1576%	0.1665%
District's Proportionate Share of the NPL	\$ 39,568,112	\$ 35,586,943	\$ 29,170,841	\$ 23,230,396	\$ 18,901,804
District's Covered Payroll	\$ 19,100,000	\$ 18,800,000	\$ 17,200,000	\$ 17,500,000	\$ 17,400,000
District's Proportionate Share of the NPL as a Percentage of its Covered Payroll	207%	189%	170%	133%	109%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71%	72%	74%	79%	83%

See accompanying Notes to Required Supplementary Information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTION
YEARS ENDED JUNE 30,**

CalSTRS - STRP	2024	2023	2022	2021	2020
Contractually Required Contribution	\$ 16,757,870	\$ 15,342,985	\$ 12,821,580	\$ 11,912,650	\$ 11,969,223
Contributions in Relation to the Contractually Required Contribution	16,757,870	15,342,985	12,821,580	11,912,650	11,969,223
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 87,700,000	\$ 80,300,000	\$ 75,800,000	\$ 73,800,000	\$ 70,000,000
Contributions as a Percentage of Covered Payroll	19.10%	19.10%	16.92%	16.15%	17.10%
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 10,931,159	\$ 9,905,356	\$ 8,530,519	\$ 7,032,883	\$ 5,489,463
Contributions in Relation to the Contractually Required Contribution	10,931,159	9,905,356	8,530,519	7,032,883	5,489,463
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 67,100,000	\$ 68,600,000	\$ 67,800,000	\$ 65,500,000	\$ 61,700,000
Contributions as a Percentage of Covered Payroll	16.28%	14.43%	12.58%	10.73%	8.88%

See accompanying Notes to Required Supplementary Information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTION (CONTINUED)
YEARS ENDED JUNE 30,**

CalPERS - Schools Pool Plan	2024	2023	2022	2021	2020
Contractually Required Contribution	\$ 6,765,034	\$ 5,931,775	\$ 5,007,751	\$ 4,203,740	\$ 4,161,123
Contributions in Relation to the					
Contractually Required Contribution	6,765,034	5,931,775	5,007,751	4,203,740	4,161,123
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 25,400,000	\$ 23,400,000	\$ 21,850,000	\$ 20,300,000	\$ 21,100,000
Contributions as a Percentage of Covered Payroll	26.68%	25.37%	22.91%	20.70%	19.72%
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 3,451,521	\$ 2,958,788	\$ 2,621,751	\$ 2,032,987	\$ 2,062,164
Contributions in Relation to the					
Contractually Required Contribution	3,451,521	2,958,788	2,621,751	2,032,987	2,062,164
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 19,100,000	\$ 19,100,000	\$ 18,800,000	\$ 17,200,000	\$ 17,500,000
Contributions as a Percentage of Covered Payroll	18.06%	15.53%	13.89%	11.85%	11.77%

See accompanying Notes to Required Supplementary Information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

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 accounting principles generally accepted in the United States of America.

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. The District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the Plan and that are legally protected from creditors. In the future, as data becomes available, 10 years of information will be presented.

Benefit changes – None

Changes of Assumptions:

2023-24:

The District applied a new discount rate increasing the rate from 4.13% to 4.21%.

2022-23:

The District applied a new discount rate increasing the rate from 4.09% to 4.13%.

2021-22:

The District applied a new discount rate increasing the rate from 2.18% to 4.09%.

2020-21:

The District applied a new discount rate decreasing the rate from 2.66% to 2.18%.

2019-20:

The District applied a new discount rate decreasing the rate from 2.79% to 2.66%.

2018-19:

The District applied a new discount rate decreasing the rate from 2.98% to 2.79%.

Schedule of the District's Proportionate Share of the Net OPEB Liability – Medicare Premium Payment Plan

The schedule is intended to show trends about the changes in the District's actuarially determined liability for the Medicare Premium Payment plan. In the future, as data becomes available, 10 years of information will be presented.

Benefit changes – None

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Schedule of the District's Proportionate Share of the Net OPEB Liability – Medicare Premium Payment Plan (Continued)

Changes of Assumptions:

June 30, 2023 Measurement Period:

CalSTRS applied a new discount rate decreasing the rate from 3.54% to 3.65%.

June 30, 2022 Measurement Period:

CalSTRS applied a new discount rate decreasing the rate from 2.16% to 3.54%.

June 30, 2021 Measurement Period:

CalSTRS applied a new discount rate decreasing the rate from 2.21% to 2.16%.

June 30, 2020 Measurement Period:

CalSTRS Board adopted a new experience study which updated assumptions for termination rates and service rates. CalSTRS also applied a new discount rate decreasing the rate from 3.50% to 2.21%.

June 30, 2019 Measurement Period:

CalSTRS applied a new discount rate decreasing the rate from 3.87% to 3.50%.

June 30, 2018 Measurement Period:

CalSTRS applied a new discount rate increasing the rate from 3.58% to 3.87%.

Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS (STRP) and CalPERS (Schools Pool 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 for the last 10 years.

Benefit changes – None

Changes of Assumptions:

June 30, 2022 Measurement Period

CalPERS Board adopted new mortality assumptions and new mortality tables for the plan. Assumption for inflation rate was reduced from 2.50% to 2.30%. A new discount rate was applied decreasing the rate from 7.15% to 6.90%.

June 30, 2020 Measurement Period

CalSTRS Board adopted a new experience study which updated assumptions for termination rates and service rates.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS (STRP) and CalPERS (Schools Pool Plan) (Continued)

Changes of Assumptions:

June 30, 2019 Measurement Period

CalPERS Board adopted new mortality assumptions for the plan. Assumption for inflation rate was reduced from 2.75% to 2.50%. Assumption for individual salary increases and overall payroll growth was reduced from 3.00% to 2.75%.

June 30, 2018 Measurement Period

CalSTRS Board adopted new mortality assumptions and new mortality tables for the plan. Assumption for inflation rate was reduced from 3.00% to 2.75%. Assumption for payroll growth was reduced from 3.75% to 3.50%. CalPERS applied a new discount rate decreasing the rate from 7.65% to 7.15%.

June 30, 2016 Measurement Period

CalPERS applied a new discount rate increasing the rate from 7.50% to 7.65%.

Schedules of District Contributions – CalSTRS (STRP) and CalPERS (Schools Pool 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 for the last 10 years.

NOTE 2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the General Fund by major object as follows.

Object Account	Amount
Certificated Salaries	\$ 1,498,907

SUPPLEMENTARY INFORMATION

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
YEAR ENDED JUNE 30, 2024**

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, 2024 are as follows:

	Second Period Certificate # E8286DA9	Annual Certificate # B09E3B04
Grades Nine through Twelve:		
Regular ADA	12,099.87	12,052.59
Special Education - Nonpublic, Nonsectarian Schools	22.10	22.74
Extended Year Special Education - Nonpublic, Nonsectarian Schools	1.88	1.88
Total Grades Nine through Twelve ADA	12,123.85	12,077.21

See accompanying Notes to Supplementary Information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2024**

<u>Grade Level</u>	<u>Minutes Requirements</u>	<u>Minutes Offered</u>	<u>Days Offered Traditional</u>	<u>Status</u>
Grade 9	64,800	65,346	180	In Compliance
Grade 10	64,800	65,346	180	In Compliance
Grade 11	64,800	65,346	180	In Compliance
Grade 12	64,800	65,346	180	In Compliance

See accompanying Notes to Supplementary Information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
United States Department of Agriculture				
Pass-Through Program from California Department of Education (CDE):				
Child Nutrition Cluster:				
National School Lunch Program	10.555	13390	\$ 2,990,528	\$ -
Summer Food Service Program	10.559	13004	84,343	-
Subtotal Child Nutrition Cluster			3,074,871	-
Child Nutrition: NSLP Equipment Assistance Grants	10.579	14906	10,000	-
Child Nutrition Program-Child and Adult Care Food Program	10.558	13666	449,947	-
Total United States Department of Agriculture			3,534,818	-
United States Department of Education				
Pass-Through Program from North Orange County (NOC) SELPA:				
Special Education Cluster:				
Grants to States (IDEA, Part B)	84.027	13379	1,742,683	-
Early Intervening Services (IDEA, Part B)	84.027	10119	250,082	-
Mental Health Services (IDEA, Part B)	84.027	15197	244,348	-
ARP Early Intervening Services (IDEA, Part B)	84.027	10170	37,721	-
Subtotal Special Education (IDEA) Cluster			2,274,834	-
Total Pass-Through Program from NOC SELPA			2,274,834	-
Pass-Through Program from CDE:				
Title I:				
Title I, Part A - Low Income and Neglected	84.010	14329	1,794,406	-
School Improvement Funding	84.010	15438	295,499	-
Subtotal Title I			2,089,905	-
Education Stabilization Fund (ESF):				
COVID-19 - ESSER III	84.425D	15559	7,242,160	-
COVID-19 - ESSER III, Learning Loss	84.425U	10155	2,530,486	-
COVID-19 - Expanded Learning Opportunities (ELO) Grant ESSER III	84.425U	15620	751,257	-
COVID-19 - ELO Grant ESSER II, Learning Loss	84.425U	15621	1,076,112	-
COVID-19 - American Rescue Plan - Homeless Children and Youth (ARP HCY II)	84.425W	15566	60,544	-
Subtotal Education Stabilization Fund			11,660,559	-
Other Programs:				
Title III - English Learner Student Program	84.365	14346	241,489	-
Title IV, Part A - Student Support & Academic Enrichment Grants	84.424	15396	39,260	-
Career and Technical Education - Secondary	84.048	14894	319,797	-
Total Pass-Through Program from CDE			14,351,010	-
Total: United States Department of Education			16,625,844	-
Total Expenditures of Federal Awards			\$ 20,160,662	\$ -
Reconciliation to Federal Revenue				
Total Federal Program Expenditures				\$ 20,160,662
Revenues in Excess (Deficiency) of Expenditures Related to Federal Entitlements:				
Junior Reserve Officer Training Corp (JROTC)				212,664
Total Federal Program Revenue				\$ 20,373,326

The District is the recipient of a federal award program that does not result in cash receipts or disbursements.

The District was granted \$204,834 of commodities under the National School Lunch Program (Assistance Listing Number 10.555).

See accompanying Notes to Supplementary Information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

	<u>2025 (Budgeted)</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Revenue	\$ 227,267,433	\$ 248,770,941	\$ 230,265,598	\$ 199,633,652
Other Sources and Transfers In	-	1,183,551	805,177	1,060,293
Total Revenue and Other Sources	<u>227,267,433</u>	<u>249,954,492</u>	<u>231,070,775</u>	<u>200,693,945</u>
Expenditures	237,332,017	232,014,023	205,055,116	196,440,732
Other Uses and Transfers Out	3,250,000	5,250,000	6,350,000	3,505,116
Total Expenditures and Other Uses	<u>240,582,017</u>	<u>237,264,023</u>	<u>211,405,116</u>	<u>199,945,848</u>
Change in Fund Balance	<u>(13,314,584)</u>	<u>12,690,469</u>	<u>19,665,659</u>	<u>748,097</u>
Ending Fund Balance	<u>\$ 79,073,506</u>	<u>\$ 92,388,090</u>	<u>\$ 79,697,621</u>	<u>\$ 60,031,962</u>
Available Reserve	<u>\$ 21,058,201</u>	<u>\$ 20,726,402</u>	<u>\$ 21,815,494</u>	<u>\$ 48,192,659</u>
Available Reserve %	8.9%	8.9%	10.6%	24.5%
ADA	<u>12,016</u>	<u>12,213</u>	<u>12,473</u>	<u>12,970</u>
Total Long-Term Liabilities	<u>\$ 407,914,306</u>	<u>\$ 418,649,824</u>	<u>\$ 416,274,894</u>	<u>\$ 368,761,120</u>

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 2025 budget is the original budget adopted on June 11, 2024.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2024**

The District is not the granting agency for any Charter Schools.

See accompanying Notes to Supplementary Information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT
WITH THE AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

	Self-Insurance Fund
Annual Financial and Budget Report Fund Balance	\$ 6,605,059
Adjustments and Reclassifications:	
Post Closing Entry - IBNR Reconciliation to Actuarial Reports	209,649
June 30, 2024 Audited Fund Balance	\$ 6,814,708

See accompanying Notes to Supplementary Information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2024**

	Student Activity Fund	Cafeteria Fund	Capital Facilities Fund	County Schools Facilities Fund
ASSETS				
Cash in County Treasury	\$ -	\$ 6,546,754	\$ 3,908,420	\$ 145,453
Cash in Banks	2,685,733	-	-	-
Cash in Revolving Fund	-	10,112	-	-
Accounts Receivable	-	706,684	28,113	537
Due from Other Funds	-	114,288	-	-
Stores	1,480	38,685	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 2,687,213</u>	<u>\$ 7,416,523</u>	<u>\$ 3,936,533</u>	<u>\$ 145,990</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ 284,765	\$ 847,778	\$ -
Due to Other Funds	-	266,505	-	-
Unearned Revenue	-	69,367	-	-
Total Liabilities	<hr/> -	<hr/> 620,637	<hr/> 847,778	<hr/> -
FUND BALANCES				
Nonspendable	1,480	48,797	-	-
Restricted	2,685,733	6,747,089	3,088,755	145,990
Committed	-	-	-	-
Total Fund Balances	<hr/> 2,687,213	<hr/> 6,795,886	<hr/> 3,088,755	<hr/> 145,990
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 2,687,213</u>	<u>\$ 7,416,523</u>	<u>\$ 3,936,533</u>	<u>\$ 145,990</u>

See accompanying Notes to Supplementary Information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2024**

	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash in County Treasury	\$ 4,877,051	\$ 9,390	\$ 9,548,550	\$ 25,035,618
Cash in Banks	-	-	-	2,685,733
Cash in Revolving Fund	-	-	-	10,112
Accounts Receivable	18,027	38	60,187	813,586
Due from Other Funds	2,650,000	-	-	2,764,288
Stores	-	-	-	40,165
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 7,545,078</u>	<u>\$ 9,428</u>	<u>\$ 9,608,737</u>	<u>\$ 31,349,502</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ 1,132,543
Due to Other Funds	-	-	-	266,505
Unearned Revenue	-	-	-	69,367
Total Liabilities	<hr/> -	<hr/> -	<hr/> -	<hr/> 1,468,415
FUND BALANCES				
Nonspendable	-	-	-	50,277
Restricted	-	9,428	9,608,737	22,285,732
Committed	7,545,078	-	-	7,545,078
Total Fund Balances	<hr/> 7,545,078	<hr/> 9,428	<hr/> 9,608,737	<hr/> 29,881,087
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 7,545,078</u>	<u>\$ 9,428</u>	<u>\$ 9,608,737</u>	<u>\$ 31,349,502</u>

See accompanying Notes to Supplementary Information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	Student Activity Fund	Cafeteria Fund	Capital Facilities Fund	County Schools Facilities Fund
REVENUES				
Federal Sources	\$ -	\$ 3,453,978	\$ -	\$ -
Other State Sources	-	3,138,622	-	-
Other Local Sources	5,478,228	403,485	1,962,002	7,253
Total Revenues	<u>5,478,228</u>	<u>6,996,085</u>	<u>1,962,002</u>	<u>7,253</u>
EXPENDITURES				
Pupil Services	-	4,511,761	-	-
Ancillary Services	5,342,673	-	-	-
General Administration	-	125,090	300,462	-
Plant Services	-	737,509	2,007,824	48
Other Outgo	-	-	1,133,381	-
Debt Service	-	-	-	-
Total Expenditures	<u>5,342,673</u>	<u>5,374,360</u>	<u>3,441,667</u>	<u>48</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	135,555	1,621,725	(1,479,665)	7,205
OTHER FINANCING SOURCES				
Interfund Transfers In	-	-	-	-
Interfund Transfers Out	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCE	135,555	1,621,725	(1,479,665)	7,205
Fund Balances - Beginning of Year	<u>2,551,658</u>	<u>5,174,161</u>	<u>4,568,420</u>	<u>138,785</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,687,213</u>	<u>\$ 6,795,886</u>	<u>\$ 3,088,755</u>	<u>\$ 145,990</u>

See accompanying Notes to Supplementary Information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2024

	Special Reserve Fund for Capital Outlay Projects	Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Nonmajor Governmental Funds
REVENUES				
Federal Sources	\$ -	\$ -	\$ -	\$ 3,453,978
Other State Sources	-	-	51,337	3,189,959
Other Local Sources	226,244	665	12,214,904	20,292,781
Total Revenues	<u>226,244</u>	<u>665</u>	<u>12,266,241</u>	<u>26,936,718</u>
EXPENDITURES				
Pupil Services	-	-	-	4,511,761
Ancillary Services	-	-	-	5,342,673
General Administration	-	-	-	425,552
Plant Services	43,054	5,040	-	2,793,475
Other Outgo	-	-	-	1,133,381
Debt Service	-	-	11,766,646	11,766,646
Total Expenditures	<u>43,054</u>	<u>5,040</u>	<u>11,766,646</u>	<u>25,973,488</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	183,190	(4,375)	499,595	963,230
OTHER FINANCING SOURCES				
Interfund Transfers In	2,650,000	-	-	2,650,000
Total Other Financing Sources	<u>2,650,000</u>	<u>-</u>	<u>-</u>	<u>2,650,000</u>
NET CHANGES IN FUND BALANCE	2,833,190	(4,375)	499,595	3,613,230
Fund Balances - Beginning of Year	<u>4,711,888</u>	<u>13,803</u>	<u>9,109,142</u>	<u>26,267,857</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,545,078</u>	<u>\$ 9,428</u>	<u>\$ 9,608,737</u>	<u>\$ 29,881,087</u>

See accompanying Notes to Supplementary Information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

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

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of article 8 (commencing with section 46200) of chapter 2 of part 26 of the Education Code.

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 government for the year ended June 30, 2024. 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 position, 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 for all awards. Under these principles, 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.

Indirect Cost Rate

The District did not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Schedule of Financial Trends and Analysis

The *2023-24 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 they have met the recommended available reserve percentages.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Schedule of Charter Schools

The *2023-24 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.

Combining Fund Financial Statements

A combining fund balance sheet and statement of revenues, expenditures, and changes in fund balance has been presented for the nonmajor 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 INFORMATION

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
LEA ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2024**

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 comprising approximately 55 square miles. There were no changes in the boundaries of the District during the current year. 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 6 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, 2024 were as follows:

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Chester Jeng	President	November 30, 2026
Vicki Calhoun	Clerk	November 30, 2024
Marilyn Buchi	Member	November 30, 2026
Joanne Fawley	Member	November 30, 2024
Lauren Klatzker	Member	November 30, 2026

DISTRICT ADMINISTRATORS

Steve McLaughlin, Ed.D	Superintendent
Ed Atkinson	Assistant Superintendent – Human Services
Ruben Hernandez	Assistant Superintendent – Business Services
Sylvia Kaufman	Assistant Superintendent – Education and Assessment Services
Karl Zener	Executive Director – Administrative Services

OTHER INDEPENDENT AUDITORS' REPORT



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

Board of Trustees
Fullerton Joint Union High School District
Fullerton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fullerton Joint Union High School District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2024.

Report on 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) as a basis for designing 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

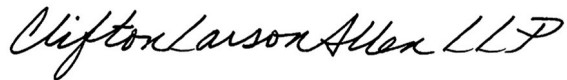
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
December 16, 2024



**INDEPENDENT AUDITORS' 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

Opinion on Each Major Federal Program

We have audited Fullerton Joint Union High School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the 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, 2024. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Glendora, California
December 16, 2024



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER STATE COMPLIANCE

Board of Trustees
Fullerton Joint Union High School District
Fullerton, California

Report on State Compliance

Opinion on State Compliance

We have audited the Fullerton Joint Union High School District's (the District) compliance with the types of compliance requirements applicable to the District described in the *2023-24 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, 2024. The District's applicable state compliance requirements are identified in the table provided below.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the District for the year ended June 30, 2024.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the state compliance requirements as identified in the table provided below. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for State Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.

Auditors' Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Board of Trustees
Fullerton Joint Union High School District

- Select and test *transactions* and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
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
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
Proposition 28 Arts and Music in Schools	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
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Not Applicable
Transitional Kindergarten	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

¹ We did not perform testing for independent study because the ADA was under the level which requires testing.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Report on 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirements 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
December 16, 2024

FINDINGS AND QUESTIONED COSTS

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. 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

Assistance Listing Number(s)

10.553, 10.555, 10.559
84.425

Name of Federal Program or Cluster

Child Nutrition Cluster
COVID-19 – Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ \$750,000

Auditee qualified as low-risk auditee?

_____ yes x no

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2024**

Section I – Summary of Auditors’ Results (Continued)

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
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

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Findings and Questioned Costs – State Compliance

Our audit did not disclose any matters required to be reported in accordance with the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2024**

2023-001: Education Stabilization Fund

50000

Federal Agency: U.S. Department of Education

Federal Program Name: Education Stabilization Fund

Assistance Listing Number: 84.425C, 84.425D & 84.425U

Pass-Through Agency: California Department of Education

Award Period: July 1, 2022 through June 30, 2023

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* requires compliance with the provisions of Equipment/Real Property Management. 2 CFR Part 200.439 specifies capital expenditures are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity. 2 CFR Part 200.303 requires the District establish and maintain effective internal controls over the Federal award to ensure compliance with those provisions.

Condition: During our testing, we noted the District did not have adequate internal controls designed to ensure construction related expenditures had prior approval from the pass-through entity for one out of the five construction related expenditures tested.

Current Status: Implemented

CONTINUING DISCLOSURE INFORMATION

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
JUNE 30, 2024**

Assessed valuation for fiscal year 2023-24

\$ 44,334,062,856

**LARGEST LOCAL SECURED TAXPAYERS
Fullerton Joint Union High School District
Fiscal Year 2023-24**

	Property Owner	Primary Land Use	2023-24 Assessed Valuation	% of Total ⁽¹⁾
1	GLC Fullerton LLC	Industrial	\$ 230,837,267	0.52 %
2	IMP Valentia LP	Apartments	185,080,072	0.42
3	The Source at Beach LLC	Commerical	183,454,186	0.41
4	Trea Amplifi Apartments LLC	Apartments	170,303,462	0.38
5	Comref So Ca Industrial Sub A & P LLC	Industrial	167,812,359	0.38
6	Wilshire Lambert Road Owner LLC	Industrial	156,000,000	0.35
7	Centerpointe Properties Trust	Commercial	145,623,279	0.33
8	Aspect Acquisition LLC	Apartments	143,267,645	0.32
9	Prologis USLV Subreit 3 LLC	Commercial	133,592,174	0.30
10	FHF I Amerige Pointe LLC	Apartments	128,284,693	0.29
11	3503 RP Fullerton Metrocenter Land LLC	Commercial	123,760,164	0.28
12	CVS Pharmacy Inc.	Industrial	114,146,920	0.26
13	Uptown Fullerton LLC	Apartments	110,436,388	0.25
14	Alticor Inc.	Industrial	108,482,664	0.24
15	La Habra Association	Commercial	108,166,735	0.24
16	WPI-Nordahl LLC	Commericla	104,549,995	0.24
17	University House Fullerton LLC	Apartments	99,956,514	0.23
18	Corecare III	Apartments	99,616,697	0.22
19	6281 Regio LLC	Industrial	98,551,526	0.22
20	Rreef America REIT II Corp.	Industrial	97,178,709	0.22
Total Top 20			<u>\$2,709,101,449</u>	<u>6.11 %</u>

(1) FY2023-24 Local secured assessed valuation: \$44,334,062,856

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APPENDIX C

ORANGE COUNTY, CALIFORNIA, 2025 INVESTMENT POLICY

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Orange County California



Investment Policy

(Approved By B.O.S. February 11, 2025)

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ORANGE COUNTY INVESTMENT POLICY

PURPOSE

The Orange County Investment Policy (“Policy”) provides the structure for the prudent investment of the funds of the County of Orange (“County”) and the funds of other depositors in the County treasury.

I. POLICY STATEMENT

The Policy is prepared in accordance with California State law and based on prudent money management practices. 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 (OCIF), which includes all cash balances deposited into the Treasury, is designed to meet both the investment and cash requirements of our participants.

II. SCOPE

This Policy governs the investment of funds deposited into the County treasury. This Policy is more restrictive than State law in certain areas. Funds from bond proceeds may be invested in accordance with Government Code section 53601(m), which authorizes investment in accordance with the statutory provisions governing the issuance of the bonds, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the approved documents providing for the issuance.

1. Pooled Funds:

The County will maintain a pooled investment fund. The pooled fund’s name is the Orange County Treasury Pool (OCTP). Government Code Sections 53600 *et seq.*, 53630 *et seq.* and 27000.3 guide the investment requirements of the OCTP, and, if applicable, the OCTP may be a permitted investment for bond proceeds.

2. Specific Investment Accounts:

The County or a participant that deposits funds in the County treasury may request a specific investment account to invest funds pursuant to a specific investment objective. Such investments may include cash required for future long-term needs. All new specific investment accounts require the written approval of the County Investment Manager, as defined in Section IV (Investment Authority). If approved, the investments will be matched to the time-horizon for their future use or to an identified liability. The County or the governing body of any 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.

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 either specifically or as part of an investment program approved by that legislative body no less than three months prior to the investment.

III. PRUDENT INVESTOR STANDARD

The Board of Supervisors, as a fiduciary of public funds adheres to the “prudent investor” standard as stated in Government Code sections 27000.3 and 53600.3. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Board of Supervisors 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 Board of Supervisors and those delegated staff shall act in accordance with written procedures and the Policy, exercise due diligence, report in a timely fashion and implement appropriate controls to mitigate adverse developments

IV. INVESTMENT AUTHORITY

The authority to invest the funds of the County and the funds of other depositors in the County Treasury rests with the Board of Supervisors. The Board may delegate its investment authority as it determines appropriate. Throughout this Policy, the “County Investment Manager” shall be defined as the County official or individual who is authorized by the Board to invest the funds of the County and the funds of other depositors in the County treasury.

V. OBJECTIVES

The primary investment objectives, presented in their absolute order of priority, are:

1. SAFETY

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

The County Investment Manager 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 duration for OCTP. Occasional market losses on individual securities may occur with portfolio management and they must be considered within the context of the overall investment return.

2. LIQUIDITY

Liquidity refers to the ability to sell an investment at any moment with a minimal chance of principal loss. OCIF will maintain sufficient liquidity for the purpose of meeting all daily operating requirements based on 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 County Investment Manager 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. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. As noted in Government Code Section 53601.6, securities issued by, or backed by, the United States government can result in zero or negative interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates.

MARK-TO-MARKET

The OCTP and Specific Investment Accounts investments are marked to market daily. The OCTP will attempt to maintain a \$1.00 net asset value (NAV) to the extent reasonably possible and consistent with the Board of Supervisors' trust and fiduciary duty. If the ratio of the market value of OCTP divided by the book value of OCTP is less than \$.9975, then the variance will be reported as well as any expected impact on the OCTP ability to meet forecasted cash outflows. In addition, the County Investment Manager may decide to sell holdings as necessary to maintain the OCTP's NAV above \$.9975. However, the OCTP \$1.00 NAV is not guaranteed or insured by the Board of Supervisors nor is OCTP registered with the Securities Exchange Commission (SEC).

The County Investment Manager will provide the NAV of OCTP and each Specific Investment Account in the investment report.

VI. AUTHORIZED INVESTMENTS

The County is authorized to invest in specific types of securities as provided in the Government Code. Investments not specifically listed below are prohibited. All securities must be United States dollar denominated. The County Investment Manager 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, consistent with legal requirements and this Policy.

The OCTP and Specific Investment Accounts may invest in the following areas to the extent they are consistent with the investment objectives, do not violate the investment restrictions, and adhere to limitations specified in this section, and Sections VII and VIII.

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.

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 OCTP that can be invested in this category including no issuer limit.

3. COMMERCIAL PAPER

Commercial Paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a Nationally Recognized Statistical Rating Organization

("NRSRO"). The entity that issues the commercial paper shall meet either of the following conditions in 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, and has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

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.

5. REPURCHASE AGREEMENTS

Investments in repurchase agreements for the purpose of this Policy means a purchase of securities by the County Investment Manager 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 County by book entry, physical delivery, or by third party custodial agreement. The term of a repurchase agreement shall not exceed one year and have capital of not less than \$500,000,000. 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 County will maintain a signed copy of the agreement. Repurchase agreements are required to be collateralized by securities or cash.

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 comply with the market value requirement 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 U.S. Government Agency collateral are exempt from the issuer limits as stated in Section VIII.1. Collateral will be held by an independent third party with whom the County Investment Manager has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the County and retained. No collateral substitutions may be made without prior approval of the County Investment Manager.

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.

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. The County Investment Manager 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. Approved money market mutual funds shall meet 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.
- c) Money market mutual funds will not exceed 20 percent of the agency's moneys. No more than 10 percent of the agency's moneys may be invested in shares of beneficial interest of any one mutual fund. For specific investment accounts, this constraint will apply to the agency's total balances in both OCTP and the specific investment account (s).

8. STATE POOL – LOCAL AGENCY INVESTMENT FUND

The County Investment Manager 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.

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 two years. 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.

11. INVESTMENT POOLS

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7, which 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 County Investment Manager 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

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.

VII. INVESTMENT CREDIT RATING RESTRICTIONS

For OCTP and Specific Investment Accounts, 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 Policy. Securities that are downgraded below the minimum acceptable rating levels must be reviewed for possible sale by the County Investment Manager within a reasonable amount of time. The credit ratings referenced in this policy must be assigned by one of the following NRSROs: Standard & Poor's Corporation (S&P), Moody's Investors Service, Inc. (Moody's) and Fitch Ratings (Fitch).

All investments, except those noted below in a) and b): 1) must have the minimum ratings required below by at least two NRSROs, and 2) the lowest rating of any NRSRO must meet or exceed the minimum rating required in the table below:

NRSRO	Short-Term	Long-Term
S&P	A-1	AA
Moody's	P-1/MIG 1/VMIG 1	Aa
Fitch	F-1	AA

If an issuer of Long-term debt has a Short-term debt rating, then the Long-Term rating may not be less than the minimum required Short-term debt ratings in the table above.

Any issuer, and all related entities, that have been placed on “Credit Watch-Negative” or downgraded 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 County Investment Manager 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 each of the NRSROs that rate the issuer.

Exceptions to the Rating Policy above:

- a) 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 above.
- b) Money Market Mutual funds satisfying the requirements of 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.

VIII. INVESTMENT TYPE, DIVERSIFICATION, MATURITY AND DURATION RESTRICTIONS

It is best practice to diversify the OCTP and Specific Investment Accounts. Investments diversification is required to minimize the risk of loss resulting from assets off a specific maturity, issuer or a specific class of securities. The diversification strategies shall be established by the County Investment Manager and periodically reviewed.

1. ISSUER CONCENTRATION

Only debt of issuers listed on the Approved Issuer List may be purchased. The following diversification limits will also apply at the time of purchase of a security.

Investment Type	California Government Code			The Policy		
	Investment Limit	Issuer Limit	Max Maturity	Investment Limit	Issuer Limit	Max Maturity
U.S. Treasury Securities	100%	None	5 Years	100%	None	5 Years
U.S. Government Agency Securities (GSE's)	100%	None	5 Years	100%	None	5 Years
Municipal Debt	100%	None	5 Years	20%	5% except OC at 10%	3 Years
Medium-Term Notes	30%	None	5 Years	20%	5%	2 Years
Bankers Acceptances	40%,	30%	180 Days	40%	5%	180 Days
Commercial Paper	40%,	10%	270 Days	40%	5%	270 Days
Negotiable Certificates of Deposits	30%	None	5 Years	20%	5%	18 months
State of California Local Agency Investment Fund	\$75 million per account	N/A	N/A	\$75 million per account	N/A	N/A
Repurchase Agreements	100%	None	1 Year	20%	10%	180 Days
Money Market Mutual Funds (MMMF)	20% of total agency funds	10% of total agency funds	N/A	20% (same)	10% (same)	N/A
Joint Power Authority Investment Pools (JPA)	100%	None	N/A	20%	10%	N/A
Supranationals	30%	None	5 Years	30%	5%	5 Years

2. MATURITY

- a) The maximum maturity of any investment purchased will be five years with the exception of Specific Investment Accounts and any investment in the OCTP that is expressly authorized by the Board of Supervisors or the appropriate legislative body to be invested in longer than five-year maturities. The settlement date will be used as the date of purchase for measuring maturity limitations.
- b) For 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

The OCTP shall have a maximum duration of 1.50 years. There are no duration requirements for the Specific Investment Accounts.

IX. PROHIBITED TRANSACTIONS

All permitted investments shall conform in all respects with this Policy and applicable provisions of the Government Code, as may be amended from time to time. Investments prohibited by the Government Code are not permitted.

The County Investment Manager must approve in writing as soon as possible any investment transactions that violates a credit risk criterion or an allocation limitation. Thereafter, action shall be taken by the County Investment Manager to correct such matter as soon as practical. If an investment is in compliance at the time of purchase, a subsequent violation resulting from a change in market values 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).
- 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 SOFR) 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 or callable securities that 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 County Investment Manager 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 County Investment Manager and investment personnel shall disclose to the applicable oversight body 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

County officers, public officials 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 County officers, public officials and “designated employees” from business entities and individuals that “do business with the County” as that term is 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. The County Investment Manager 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 County Investment Manager 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. To be eligible to receive local agency money, a bank, savings association, federal association or federally insured industrial loan company shall have received an overall rating of not less than “satisfactory” in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California’s communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. Government Code sections 53601.5 and 53601.6 shall apply to all investments that are acquired pursuant to this section.

Broker/dealers must comply with the political contribution limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board. Any broker, brokerage, dealer, or securities firm that contributed to the County Investment Manager, Treasurer, any member of the Board of Supervisors, or any candidate for those offices, within any consecutive 48-month period, are prohibited from selection onto the list of authorized security broker/dealers.

The County Investment Manager 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 broker/dealer list for investment and/or depository services and require annual audited financial statements to be on file for each firm. The County Investment Manager shall strive to open an application period every two years for all new broker/dealers and financial institutions submitting a questionnaire or being reviewed if an existing broker/dealer to determine if they should be added to or removed from the approved broker/dealer list. This detailed questionnaire is required to be completed by broker/dealers and financial institutions seeking to provide investment services.

The County Investment Manager shall annually send a copy of the current Policy to all broker/dealers and financial institutions approved to provide investment services to the County, and they shall notify the County Investment Manager in writing of receipt and that they have received it.

XII. PERFORMANCE EVALUATION

The County Investment Manager shall either coordinate with the Treasurer, or submit its own investment report to the pool participants, the County Executive Officer, the Director of Internal Audit, the Auditor-Controller and the Board of Supervisors. The investment reports shall be issued no less frequently than within 45 days of the end of the quarter.

The investment report shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall include the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and moneys held, and shall additionally include a description of any of the funds, investments, or programs, that are under the management of contracted parties, including lending programs. With respect to securities held by the County Investment Manager, and under management any outside party that is not a local agency or LAIF, the report shall also include a current market value as of the date of the report and shall include the source of the valuation. The report shall also state compliance of the portfolio to the Policy, or the manner in which the portfolio is not in compliance. The investment report shall include a statement denoting the ability of the local agency to meet its pool expenditure requirements for the next six months, or an explanation as to why sufficient money shall, or may not be available.

The County Investment Manager shall provide financial information on investments for disclosure in the County's ACFR, in accordance with GASB Statements 31, 40, 72 and 84. In addition, the County Investment Manager shall either coordinate with the Treasurer, or submit its own report on monthly investment transactions to the Board of Supervisors.

XIII. SAFEKEEPING

All security transactions, including collateral for repurchase agreements, entered into by the County Investment Manager shall be conducted on a delivery-versus-payment (DVP) basis. All investments shall have the County of Orange and either the OCTP or the Specific Investment Account name as its registered owner except, if applicable, for municipal debt issued by the County of Orange through a private placement, in which case the name of the registered owner shall be determined by written agreement between the parties.

All securities shall be held by a third-party custodian designated by the Treasurer or applicable County officer (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 or applicable County officer 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 County Investment Manager 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 County Investment Manager. All agreements, statements, and investment trade packets will be subject to review annually by auditors in conjunction with their audit. The County Investment Manager shall evaluate audit reports in a timely manner with any applicable oversight body. Daily compliance of the investment portfolio shall be performed by the applicable County department. Compliance will be determined on a fair market value basis. Except for emergencies or previous authorization by the County Investment Manager, all investment transactions are to be entered daily into the appropriate Investment Accounting System.

1. INVESTMENT PROCEDURES

The County Investment Manager shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this 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.

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

XVI. EARNINGS AND COSTS APPORTIONMENT

The County Investment Manager determines the interest earnings for the OCTP and then allocates them to each individual pool participant based upon their average daily balance.

Any authorized officer who invests, deposits or otherwise handles funds for public agencies for the purpose of earning interest or other income on such funds as permitted by law, may deduct from such interest or income, before distribution thereof, the actual administrative cost of such investing, depositing or handling of funds and of distribution of such interest or income, as authorized by Government Code Section 27013. Such cost reimbursement shall be paid into the county general fund. In addition, if applicable, the costs of compliance with Government Code section 27130, *et seq.* shall be included as an eligible administrative cost. The County Investment Manager shall annually prepare a proposed budget revenue estimate and estimated

basis fee charge of this investment administrative fee charged in accordance with Government Code Section 27013. The County Investment Manager must annually reconcile the estimated charges and actual costs incurred and adjust participant accounts accordingly.

Investment earnings, including any gains or losses, less the above estimated fee charge will be allocated to the pool participants on at least a quarterly basis. The applicable investment report will state the current estimated investment administrative fee charged to participants.

XVII. 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, while focusing on, in order of importance, preservation of capital, liquidity and yield.

The investment strategy is to manage the portfolios with less risk than a comparable benchmark index while using economies of scale to administer the program at a reasonable cost. The County Investment Manager shall determine whether market yields are achieved using the indices most comparable to the fund, such as money rate data published in Barron's, The Wall Street Journal, Bloomberg, the local government investment pool index or other bond fund indices. The standards enumerated herein do not constitute a guarantee of the fund's performance.

The County Investment Manager's investment strategy is to hold purchased securities until maturity. Changing economic conditions, interest rates, and credit quality may dictate a sale in advance to minimize market and credit risks or enhance yield. Such sales should consider the short- and long-term impact on the portfolio. The County Investment Manager must approve in advance the sale of all securities prior to maturity.

XVIII. INVESTMENT POLICY REVIEW

This Policy shall be reviewed on an annual basis by the County Investment Manager and any applicable oversight body. The Policy shall be submitted annually to the Board as a receive and file item as part of the County's Strategic Financial Plan. However, any changes to the Policy shall be presented for review and approval by the Board of Supervisors.

XIX. FINANCIAL REPORTING

All applicable investment reports and all investment compliance Audit Reports shall be provided to the Orange County Board of Supervisors, the County Executive Officer, the Chief Financial Officer, the Director of Internal Audit, the Auditor-Controller, any applicable oversight body, and the presiding judge of the Superior Court. All reports filed by the County Investment Manager shall, among other matters, state compliance of the portfolio with the Policy, or the manner in which the portfolio is not in compliance. A statement will also be filed by the denoting the ability of OCTP to meet its expenditure requirements for the next six months or provide an explanation of why sufficient money may not be available.

XX. LEGISLATIVE CHANGES

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

XXI. DISASTER RECOVERY PROGRAM

The Disaster Plan includes critical phone numbers and addresses of key treasury and investment personnel as well as currently approved bankers and broker/dealers. The Disaster Plan is distributed to key County 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 County Investment Manager or authorized staff is unable to invest the portfolio, the Treasurer, or applicable County officer, has an agreement with the custodian for a daily sweep of uninvested cash with the custody bank into a money market mutual fund. Until normal operations of the County Investment Manager'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 Policy and would be required to be reported to the Board of Supervisors and pool participants in a timely manner.

XXII. INVESTMENT POLICY GLOSSARY

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

ACCREDITED INVESTOR: Defined in the Code of Federal Regulations (CFR) 230.501 (a)(9) as any entity, including a government body that owns “investments”, as defined in the CFR 270.2A51 - 1(b)(7)(i), such as cash and cash equivalents, for investment purposes under the Investment Company Act in excess of \$5 million.

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.

COUNTY INVESTMENT MANAGER: The County official or individual authorized by the Board of Supervisors to invest the funds of the County and the funds of other depositors in the County treasury.

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.

* 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, Secured Overnight Financing Rate (SOFR), 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.

QUALIFIED INSTITUTIONAL BUYER (QIB): Defined in CFR Section 230.144A as a class of investors that can be conclusively assumed to be sophisticated and in little need of the protection afforded by the Securities Act’s registration provisions. They must own and invest on a discretionary basis at least \$100 million in securities of issuers that are not affiliated with the QIB to qualify for qualified institutional buyer status. This includes any institutional investors included in the accredited investor definition, provided they satisfy the \$100 million threshold.

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.

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.

$$(\text{Price appreciation}) + (\text{Dividends paid}) + (\text{Capital gains}) = \text{Total Return}$$

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) 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.

APPENDIX D

FORM OF SPECIAL COUNSEL OPINION

[Letterhead of Stradling Yocca Carlson & Rauth LLP]

[Closing Date]

Board of Trustees of the
Fullerton Joint Union High School District
1051 West Bastanchury Road
Fullerton, California 92833

OPINION: \$36,365,000* Certificates of Participation (2025 Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the Fullerton Joint Union High School District, as the Rental for Certain Property Pursuant to a Lease Agreement with the Public Property Financing Corporation of California

Members of the Board of Trustees:

We have acted as special counsel in connection with the delivery by the Fullerton Joint Union High School District (the “District”), of its \$36,365,000* Lease Agreement, dated as of June 1, 2025, by and between the Public Property Financing Corporation of California (the “Corporation”) and the District (the “Lease Agreement”), pursuant to the California Education Code. The Corporation has, pursuant to the Assignment Agreement, dated as of June 1, 2025 (the “Assignment Agreement”), by and between the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), assigned certain of its rights under the Lease Agreement, including its right to receive a portion of the lease payments made by the District thereunder (the “Lease Payments”), to the Trustee. Pursuant to the Trust Agreement, dated as of June 1, 2025, by and among the Trustee, the Corporation and the District (the “Trust Agreement”), the Trustee has executed and delivered certificates of participation (the “Certificates”) evidencing direct, undivided fractional interests of the owners thereof in the Lease Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

In connection with our representation we have examined a certified copy of the proceedings relating to the Certificates. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

1. The proceedings show lawful authority for the execution and delivery by the District of the Lease Agreement and the Trust Agreement under the laws of the State of California (the “State”) now in force, the Lease Agreement and the Trust Agreement have been duly authorized, executed and delivered

* Preliminary, subject to change.

by the District, and, assuming due authorization, execution and delivery by the Trustee and the Corporation, as appropriate, are valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

2. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement.

3. The obligation of the District to make the Lease Payments is an enforceable obligation of the District and does not constitute a debt of the District, or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

4. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted that with respect to applicable corporations as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Certificates might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations.

5. Interest (and original issue discount) on the Certificates is exempt from State of California personal income tax.

6. The difference between the issue price of a Certificate (the first price at which a substantial amount of the Certificates of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Certificate constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Certificate owner will increase the Certificate owner's basis in the applicable Certificate.

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

The opinions expressed herein as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Certificates are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the

Certificates to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Certificates to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Certificates. The District has covenanted to comply with all such requirements.

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

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

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Trust Agreement and the Lease Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Trust Agreement or the Lease Agreement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Lease Agreement or the accuracy or sufficiency of the description of such assets, or the remedies available to enforce liens on, any such assets.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement (the "Official Statement") relating to the Certificates or other offering material relating to the Certificates and expressly disclaim any duty to advise the owners of the Certificates with respect to matters contained in the Official Statement.

Respectfully submitted,

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APPENDIX E

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement prepared for Certificates. The following also includes definitions of certain terms used therein and in this Official Statement. Such summary is not intended to be definitive. Reference is directed to said documents for the complete text thereof. Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. Copies of said documents are available from the District and from the Trustee.

DEFINITIONS

“*Additional Payments*” means the payments so designated and required to be paid by the District pursuant to the Lease Agreement.

“*Assignment Agreement*” means the Assignment Agreement, dated as of June 1, 2025, by and between the Corporation and the Trustee, together with any duly authorized and executed amendments thereto.

“*Board*” means the Board of Trustees of the District.

“*Bond Counsel*” means (a) Stradling Yocca Carlson & Rauth LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the District of nationally recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

“*Business Day*” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the state in which the Designated Corporate Trust Office is located or in the State are closed or are required to close or a day on which the New York Stock Exchange is closed.

“*Certificate of Completion*” means the certificate of a District Representative certifying that the Project has been completed by the District and that all costs relating thereto have been paid.

“*Certificates*” means the certificates of participation to be executed and delivered pursuant to the Trust Agreement which evidence direct, undivided fractional Interests of the Owners thereof in Lease Payments.

“*Closing Date*” means the date upon which there is a physical delivery of the Certificates in exchange for the amount representing the purchase price of the Certificates by the Original Purchaser.

“*Code*” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Lease Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

“*Continuing Disclosure Certificate*” shall mean that certain Continuing Disclosure Certificate executed by the District and dated the date of execution and delivery of the Certificates, as it may be amended from time to time in accordance with the terms thereof.

“*Corporation*” means the Public Property Financing Corporation of California, a nonprofit public benefit corporation organized and existing under and by virtue of the laws of the State.

“*Corporation Representative*” means the President, the Executive Director, the Treasurer and the Secretary of the Corporation, or the designee of any such official, or any other person authorized by resolution delivered to the

Trustee to act on behalf of the Corporation under or with respect to the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement.

“*Counties*” means Orange and Los Angeles Counties, each a political subdivision of the State.

“*Defeasance Obligations*” means (a) cash, (b) non-callable direct obligations of the United States of America (“Treasuries”), (c) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (d) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (e) subject to the prior written consent of the Municipal Bond Insurer, securities eligible for “AAA” defeasance under then existing criteria of S&P the Municipal Bond Insurer otherwise approves.

“*Delivery Costs*” means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the execution and delivery of the Site and Facility Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, initial fees and charges of the Trustee (including the fees and expenses of its counsel), financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates, the premiums for the Municipal Bond Insurance Policy and the Reserve Policy and charges and fees in connection with the foregoing.

“*Delivery Costs Fund*” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“*Designated Corporate Trust Office*” means the corporate trust office of the Trustee as designated in the Trust Agreement or such other office designated by the Trustee from time to time except that with respect to presentation of Certificates for payment or for registration of transfer and exchange or surrender and cancellation, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“*District*” means Fullerton Joint Union High School District, a school district duly organized and existing under and by virtue of the laws of the State.

“*District Representative*” means the President of the Board, the Superintendent, the Assistant Superintendent, Business Services, or any other person authorized by resolution of the Board delivered to the Trustee to act on behalf of the District under or with respect to the Site and Facility Lease, the Lease Agreement and the Trust Agreement.

“*Escrow Agreement*” means that certain Escrow Agreement, dated the Closing Date, by and between the District and the Escrow Bank, providing for the defeasance of the 2015 Certificates.

“*Escrow Bank*” means U.S. Bank Trust Company, National Association, as appointed by the District to act as escrow bank under the Escrow Agreement, and its assigns or any other corporation or association which may at any time be substituted in its place, as provided in the Escrow Agreement.

“*Escrow Fund*” means the fund by that name established pursuant to the Escrow Agreement.

“*Event of Default*” means an event of default under the Lease Agreement.

“*Facility*” means, collectively, those facilities described in the Site and Facility Lease and in the Lease Agreement.

“*Federal Securities*” means (a) Cash, and (b) obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States including: (i) United States treasury obligations, (ii) all direct or fully guaranteed obligations, (iii) General Services Administration, (iv) Guaranteed Title XI financing, (v) Government National Mortgage Association (GNMA), and (vi) State and Local Government Series.

“*Fiscal Year*” means the twelve-month period beginning on June 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the District as its fiscal year.

“*Independent Counsel*” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Corporation, the District or the Trustee.

“*Information Services*” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

“*Insurance and Condemnation Fund*” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“*Interest Payment Date*” means the first (1st) day of March and September in each year, commencing September 1, 2025, so long as any Certificates are Outstanding.

“*Lease Agreement*” means that certain agreement for the lease of the Property by the Corporation to the District, dated as of June 1, 2025, together with any duly authorized and executed amendments thereto.

“*Lease Payment Date*” means the fifteenth (15th) day of February and August in each year during the Term of the Lease Agreement, commencing August 15, 2025.

“*Lease Payment Fund*” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“*Lease Payments*” means the total payments required to be paid by the District pursuant to the Lease Agreement, including any prepayment thereof pursuant to the Lease Agreement, which payments consist of an interest component and a principal component, as set forth in the Lease Agreement.

“*Moody’s*” means Moody’s Investors Service, New York, New York, or its successors.

“*Municipal Bond Insurance Policy*” means the municipal bond insurance policy issued by the Municipal Bond Insurer guaranteeing the scheduled payment, when due, of the principal and interest with respect to the Certificates.

“*Municipal Bond Insurer*” means Assured Guaranty Inc., Maryland domiciled financial guaranty insurance company, or any successor thereto or assigns thereof.

“*Net Proceeds*,” when used with respect to insurance or condemnation proceeds, means any insurance proceeds or condemnation award paid with respect to the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“*Original Purchaser*” means the first purchaser of the Certificates upon their delivery by the Trustee on the Closing Date.

“*Outstanding*,” when used as of any particular time with respect to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

- (a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Certificates for the payment or redemption of which funds or Defeasance Obligations in the necessary amount shall have theretofore been deposited with the Trustee or an escrow holder (whether upon or prior to the maturity or redemption date of such Certificates), provided that, if such Certificates are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice;
- (c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement; and
- (d) Certificates paid pursuant to the Trust Agreement.

“*Owner*” or “*Certificate Owner*” or “*Owner of a Certificate*,” or any similar term, when used with respect to a Certificate means the person in whose name such Certificate shall be registered on the Registration Books.

“*Participating Underwriter*” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“*Permitted Encumbrances*” means, as of any particular time: (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of the Lease Agreement, permit to remain unpaid; (b) the Site and Facility Lease; (c) the Lease Agreement; (d) the Assignment Agreement; (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (f) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District certifies in writing will not materially impair the use of the Property; and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease Agreement and to which the Corporation and the District agree in writing do not reduce the value of the Property.

“*Permitted Investments*” means any of the following:

- (a) Federal Securities;
- (b) Federal Housing Administration debentures;
- (c) The following listed obligations government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - (i) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),
 - (ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes,

- (iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations,
- (iv) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),
- (v) Financing Corporation (FICO) debt obligations, and
- (vi) Resolution Funding Corporation (REFCORP) debt obligations;
- (d) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank, which may include the Trustee and its affiliates, the short-term obligations of which are rated "A-1" or better by S&P;
- (e) Bank deposit products, demand deposits, interest bearing money market accounts, trust funds, trust accounts, overnight deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks, which may include the Trustee and its affiliates, which have capital and surplus of at least \$5 million;
- (f) Commercial paper (having original maturities of not more than 30 days) rated at the time of purchase "A-1+" by S&P and "Prime-1" by Moody's;
- (g) Money market funds rated in the highest rating category by S&P and Moody's including such funds for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;
- (h) "State Obligations," which means:
 - (i) Direct general obligations of any state of the United States of America or any subdivision of agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated,
 - (ii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (i) above and rated "A-1+" by S&P and "MIG-1" by Moody's, and
 - (iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (i) above and rated "AA" or better by S&P and "Aa" or better by Moody's;
- (i) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:
 - (i) the municipal obligations are (A) not subject to redemption prior to maturity or (B) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions,
 - (ii) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations,
 - (iii) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all prin-

cipal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”),

(iv) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations

(v) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification, and

(vi) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent;

(j) Repurchase agreements with

(i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “AA” by S&P and Moody’s, or

(ii) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “AA” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or

(iii) any other entity rated “AA” or better by S&P and Moody’s and acceptable to the Municipal Bond Insurer, provided that:

(A) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach),

(B) The Trustee or a third party acting solely as agent therefor or for the District (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books),

(C) The repurchase agreement shall state, and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession),

(D) All other requirements of S&P in respect of repurchase agreements shall be met, and

(E) The repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the District or the Trustee (who shall give such direction if so directed by the Municipal Bond Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by S&P and Moody’s, respectively.

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt is rated at least “AA” (stable) by S&P and “Aa” (stable) by Moody’s, or, in the case of a monoline municipal bond insurance company, claims paying ability of the guarantor is rated at least “AAA” (stable) by S&P and “Aaa” (stable) by Moody’s; provided that, by the terms of the investment agreement:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) with respect to the Certificates;

(ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice; the District and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(iii) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(iv) the District or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the District and the Municipal Bond Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Municipal Bond Insurer;

(v) the investment agreement shall provide that if during its term:

(A) the provider’s rating by either S&P or Moody’s falls below “AA-” or “Aa3”, respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider’s books) to the District, the Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

(B) the provider’s rating by either S&P or Moody’s is withdrawn or suspended or falls below “A-” or “A3”, respectively, the provider must, at the direction of the District or the Trustee (who shall give such direction if so directed by the Municipal Bond Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee, and

(vi) the investment agreement shall state, and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(vii) the investment agreement must provide that if during its term:

(A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Trustee (who shall give such direction if so, directed by the Municipal Bond Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate, and

(B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate.

(l) The Local Agency Investment Fund of the State created pursuant to section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(m) The Counties' Investment Pools.

(n) Other forms of investments (including repurchase agreements) approved in writing by the Municipal Bond Insurer.

"*Proceeds*," when used with reference to the Certificates, means the face amount of the Certificates, less original issue discount.

"*Project*" means (a) the 2025 Project, and (b) the refunding, on a current basis, 2015 Certificates which were delivered to refinance certificates of participation delivered in 2007 to finance the construction of the District's La Vista Continuation High School and La Sierra Alternative High School campuses and for the modernization and construction of facilities throughout the District.

"*Project Costs*" means all costs of payment of, or reimbursement for, the 2025 Project.

"*Project Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Property*" means, collectively, the Site and the Facility.

"*Qualified Reserve Fund Credit Instrument*" means an irrevocable standby or direct-pay letter of credit, insurance policy or surety bond issued by a commercial bank or insurance company and deposited with the Trustee in the Reserve Fund, including the Reserve Policy, provided that with respect to any such letter of credit, insurance policy or surety bond other than the Reserve Policy, all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) at the time of issuance the long-term credit rating of such bank or insurance company is AA or better from S&P or Aa or better from Moody's, or the claims paying ability of such insurance company is rated in the highest rating category by A.M. Best & Company; (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released under the Trust Agreement; and (d) the Trustee is authorized under the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Lease Payment Fund for the purpose of making payments required under the Trust Agreement.

"*Rating Category*" means, with respect to any Permitted Investment, one of the generic categories of rating by Moody's or S&P applicable to such Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

"*Registration Books*" means the records maintained by the Trustee pursuant to the Trust Agreement for registration of the ownership and transfer of ownership of the Certificates.

“*Regular Record Date*” means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

“*Rental Period*” means each twelve-month period during the Term of the Lease Agreement commencing on September 2 in any year and ending on September 1 in the next succeeding year; *provided, however*, that the first Rental Period shall commence on the Closing Date and shall end on September 1, 2025.

“*Reserve Fund*” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“*Reserve Policy*” means the Municipal Bond Insurance Policy issued by the Municipal Bond Insurer for deposit in the Reserve Fund in an amount equal to the Reserve Requirement.

“*Reserve Requirement*” means an amount equal to the least of maximum annual Lease Payments, 125% of average annual Lease Payments and 10% of the principal amount of the Certificates, which amount shall be \$ _____ on the Closing Date (maximum annual Lease Payments). On the date of delivery of the Certificates, in lieu of a cash deposit to the Reserve Fund, the Municipal Bond Insurer will issue the Reserve Policy, in an amount equal to the Reserve Requirement.

“*S&P*” means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, New York, New York, or its successors.

“*Securities Depositories*” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041 Attention: Call Notification Department; or to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the Certificates.

“*Site*” means, collectively, that certain real property more particularly described in the Site and Facility Lease and in the Lease Agreement.

“*Site and Facility Lease*” means the Site and Facility Lease, dated as of June 1, 2025, by and between the District, as lessor, and the Corporation, as lessee, together with any duly authorized and executed amendments thereto.

“*State*” means the State of California.

“*Term of the Lease Agreement*” means the time during which the Lease Agreement is in effect, as provided in the Lease Agreement.

“*Trust Agreement*” means the Trust Agreement, dated as of June 1, 2025, by and among the District, the Corporation and the Trustee, together with any duly authorized amendments thereto.

“*Trustee*” means U.S. Bank Trust Company, National Association, or any successor thereto, acting as Trustee pursuant to the Trust Agreement.

“*2015 Certificates*” means the Fullerton Joint Union High School District Certificates of Participation (2015 Refinancing Project), payable from lease payments made by the District under the 2015 Lease Agreement, of which \$13,175,000 remains outstanding as of the Closing Date.

“*2015 Lease Agreement*” means the Lease Agreement, dated as of September 1, 2015, by and between the Corporation and the District.

“2025 Project” means the construction and improvement of various school facilities of the District, more particularly described in the Trust Agreement.

SITE AND FACILITY LEASE

The Site and Facility Lease is entered into between the District and the Corporation. The District agrees to lease the Site and the Facility to the Corporation for a term continuous with the term of the Lease Agreement. The District and the Corporation agree that the lease to the Corporation of the District’s right, title and interest in the Site and the Facility pursuant to the Site and Facility Lease serves the public purposes of the District by enabling the Corporation to lease the Site and Facility back to the District.

LEASE AGREEMENT

Deposit of Money

On the Closing Date, the Corporation shall cause to be deposited with the Trustee the net proceeds of sale of the Certificates, net of amounts paid by the Original Purchaser to the Municipal Bond Insurer as an accommodation to the District for the premiums relating to the Municipal Bond Insurance Policy and the Reserve Policy. Amounts required to pay Delivery Costs shall be deposited in the Delivery Costs Fund, the amount estimated to be required to pay Project Costs shall be deposited in the Project Fund and the amount required to defease the 2015 Certificates shall be transferred to the Escrow Bank for deposit in the Escrow Fund.

Payment of Delivery Costs

Payment of Delivery Costs shall be made from the moneys deposited in the Delivery Costs Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Trust Agreement.

Payment of Project Costs

Payment of Project Costs shall be made from the moneys deposited in the Project Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Trust Agreement.

Lease

The Corporation leases the Property to the District, and the District leases the Property from the Corporation, upon the terms and conditions set forth in the Lease Agreement. The leasing of the Property by the District to the Corporation pursuant to the Site and Facility Lease shall not affect or result in a merger of the District’s leasehold estate pursuant to the Lease Agreement and its fee estate as lessor under the Site and Facility Lease.

Term of Agreement; Possession

The Term of the Lease Agreement shall commence on the Closing Date, and shall end on September 1, 2044, unless such term is extended. If, on September 1, 2044, the Trust Agreement shall not be discharged by its terms or if the Lease Payments payable under the Lease Agreement shall have been abated at any time and for any reason, then the Term of the Lease Agreement shall be extended without the need to execute any amendment to the Lease Agreement until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement, but in no event shall the Term of the Lease Agreement extend beyond September 1, 2054. If, prior to September 1, 2044, the Trust Agreement shall be discharged by its terms, the Term of the Lease Agreement shall thereupon end. The Trustee shall notify the Corporation of the termination of the Lease Agreement pursuant to the Trust Agreement.

The District agrees to accept and take possession of the Property on or prior to the date of recordation of the Lease Agreement.

Notwithstanding the foregoing, the Term of the Lease Agreement shall not end so long as any amounts are owed to the Municipal Bond Insurer with respect to the Municipal Bond Insurance Policy or the Reserve Policy.

Lease Payments

Obligation to Pay. The District agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Property during each Rental Period, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in the Lease Agreement, to be due and payable on the respective Lease Payment Dates specified in the Lease Agreement. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole and other than amounts required for payment of Certificates not yet surrendered) shall be credited towards the Lease Payment then due and payable; and no Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid. The Lease Payments for the Property payable in any Rental Period shall be for the use of the Property for such Rental Period.

Effect of Prepayment. In the event that the District prepays all remaining Lease Payments and all additional payments due under the Lease Agreement in full, the District's obligations under the Lease Agreement shall thereupon cease and terminate including, but not limited to, the District's obligation to pay Lease Payments under the Lease Agreement; subject however, to the provisions of the Lease Agreement in the case of prepayment by application of a security deposit. In the event that the District optionally prepays the Lease Payments in part but not in whole, such prepayment shall be credited entirely towards the prepayment of the Lease Payments as follows: (i) the principal components of each remaining such Lease Payments shall be reduced in such order as shall be selected by the District in integral multiples of \$5,000; and (ii) the interest component of each remaining Lease Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates redeemed pursuant to the Trust Agreement.

Rate on Overdue Payments. In the event the District should fail to make any of the payments required in the Lease Agreement, the payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum payable with respect to the Certificates. Such interest, if received, shall be deposited in the Lease Payment Fund.

Fair Rental Value. The Lease Payments for each Rental Period shall constitute the total rental for the Property for each such Rental Period and shall be paid by the District in each Rental Period for and in consideration of the right of the use and occupancy and the continued quiet use and enjoyment of the Property during each Rental Period. The parties to the Lease Agreement have agreed and determined that the total Lease Payments represent the fair rental value of the Property. In making such determination, consideration has been given to the obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the District and the general public.

Source of Payments; Budget and Appropriation. Lease Payments shall be payable from any source of available funds of the District. The District covenants to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in each of its budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and for additional payments due under the Lease Agreement. To that end, the Board of Supervisors shall direct budgetary staff to include in each annual budget proposal to the Board of Supervisors an appropriation sufficient to pay Lease Payments and Additional Payments. The District expresses its present intent to appropriate Lease Payments and additional payments due under the Lease Agreement during the Term of the Lease Agreement. The covenants on the part of the District contained in the Lease Agreement shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and

every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the District.

Assignment. The District understands and agrees that all Lease Payments have been assigned by the Corporation to the Trustee in trust, pursuant to the Assignment Agreement, for the benefit of the Owners of the Certificates, and the District assents to such assignment. The Corporation directs the District, and the District agrees to pay to the Trustee at the Principal Corporate Trust Office, all payments payable by the District pursuant to the Lease Agreement.

Additional Payments

In addition to the Lease Payments, the District shall pay when due the following additional payments:

(a) Any fees and expenses incurred by the District in connection with or by reason of its leasehold estate in the Property as and when the same become due and payable;

(b) Any amounts due to the Trustee pursuant to the Trust Agreement for all services rendered under the Trust Agreement and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Trust Agreement;

(c) Any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the District, the Corporation or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease Agreement or the Trust Agreement; and

(d) Any reasonable out-of-pocket expenses of the District in connection with the execution and delivery of the Lease Agreement or the Trust Agreement, or in connection with the execution and delivery of the Certificates, including any and all expenses incurred in connection with the authorization, execution, sale and delivery of the Certificates, or incurred by the Corporation in connection with any litigation which may at any time be instituted involving the Lease Agreement, the Trust Agreement, the Certificates or any of the other documents contemplated or thereby, or incurred by the Corporation in connection with the Continuing Disclosure Certificate, or otherwise incurred in connection with the administration thereof.

(e) The District agrees unconditionally that it will pay or reimburse the Municipal Bond Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Municipal Bond Insurer may pay or incur, including, but not limited to, fees and expenses of the Municipal Bond Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Lease Agreement, the Assignment Agreement or the Trust Agreement ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Municipal Bond Insurer spent in connection with the actions described in the preceding sentence. The District agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Municipal Bond Insurer until the date the Municipal Bond Insurer is paid in full. "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the District of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Certificates and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Municipal Bond Insurer shall specify.

Notwithstanding anything herein to the contrary, the District agrees to pay to the Municipal Bond Insurer (i) a sum equal to the total of all amounts paid by the Municipal Bond Insurer under the Policy (the "Municipal Bond Insurer Policy Payment"); and (ii) interest on such the Municipal Bond Insurer Policy Payments from the date paid by the Municipal Bond Insurer until payment thereof in full by the District, payable to the Municipal Bond Insurer at the Late Payment Rate per annum (collectively, the "Municipal Bond Insurer Reimbursement Amounts") compounded semi-annually. The District hereby covenants and agrees that the Municipal Bond Insurer Reimbursement Amounts are payable from and secured by and payable from legally available funds of the District.

Title

During the Term of the Lease Agreement, the Corporation shall hold leasehold title to the Property and shall hold fee title to those portions of the Property which are newly acquired or constructed and any and all additions which comprise fixtures, repairs, replacements or modifications to the Property, except for those fixtures, repairs, replacements or modifications which are added to the Property by the District at its own expense and which may be removed without damaging the Property and except for any items added to the Property by the District pursuant to the Lease Agreement.

If the District prepays the Lease Payments in full or makes the security deposit permitted by the Lease Agreement or pays all Lease Payments during the Term of the Lease Agreement as the same become due and payable, all right, title and interest of the Corporation in and to the Property shall be terminated. The Corporation agrees to take any and all steps and execute and record any and all documents reasonably required by the District to consummate any such transfer of title.

Maintenance, Utilities, Taxes and Assessments

Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the District and the District shall pay, or otherwise arrange, for the payment of all utility services supplied to the Property which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee thereof. In exchange for the Lease Payments, the Corporation agrees to provide only the Property. The District waives the benefits of subsections 1 and 2 of section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the District under the terms of the Lease Agreement.

The District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the District affecting the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation or the Municipal Bond Insurer shall notify the District that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the Corporation and the Municipal Bond Insurer with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation. The District shall provide the Corporation and the Municipal Bond Insurer with written notice of any such contest and shall provide such updates on the contest as the Corporation or the Municipal Bond Insurer may reasonably request.

Modification of Property

The District shall, at its own expense, have the right to remodel the Property or to make additions, modifications and improvements to the Property. All additions, modifications and improvements to the Property shall thereafter comprise part of the Property and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Property, substantially alter its nature, cause the interest component of Lease Payments to be subject to federal income taxes or cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and the Property, upon completion of any additions, modifications and improvements made thereto pursuant to the Lease Agreement, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements. The District will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the District pursuant to the Lease Agreement; provided that if any such lien is established and the District shall first notify the Corporation of the District's intention to do so, the District may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the District.

Insurance

Public Liability and Property Damage Insurance. The District shall maintain or cause to be maintained, throughout the Term of the Lease Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the Corporation, the District, the Trustee and the Municipal Bond Insurer and their respective members, officers, agents and employees. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District and may be maintained through a joint exercise of powers authority created for such purpose or, with the prior written consent of the Municipal Bond Insurer, in the form of self-insurance by the District. Said policy or policies shall provide for indemnification of said parties against direct or consequential loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or, with the prior written consent of the Municipal Bond Insurer, in the form of self-insurance by the District. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Fire and Extended Coverage Insurance; No Earthquake Insurance. The District shall maintain or cause to be maintained throughout the Term of the Lease Agreement, insurance against loss or damage to any part of the Property constituting structures, if any, by fire and lightning, with extended coverage and vandalism and malicious mischief insurance; *provided, however,* that the District shall not be required to maintain earthquake insurance with respect to the Property. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of such portion of the Property, if any. Such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the District and with the prior written consent of the Municipal Bond Insurer, may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for

such purpose. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement. The District may not satisfy the requirements of the Lease Agreement for fire and extended coverage insurance with self-insurance, except with the prior written consent of the Municipal Bond Insurer.

Rental Interruption Insurance. The District shall maintain, or cause to be maintained, throughout the Term of the Lease Agreement rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property during the Term of the Lease Agreement as a result of any of the hazards covered in the insurance required by the Lease Agreement, if any, in an amount at least equal to two times maximum annual Lease Payments. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable. Such insurance may be maintained as part of or in conjunction with any other insurance carried by the District and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The District may not satisfy the requirements of the Lease Agreement for rental interruption insurance with self-insurance.

Title Insurance. The District shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, an CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the District's leasehold estate in the Property, subject only to Permitted Encumbrances.

Insurance Net Proceeds; Form of Policies Each policy or other evidence of insurance required by the Lease Agreement shall provide that all proceeds thereunder shall be payable to the Trustee as and to the extent required under the Lease Agreement, shall name the Trustee and the Municipal Bond Insurer as additional insureds and shall be applied as provided in the Lease Agreement. Insurance must be provided by an insurer rated "A" or better by S&P or A.M. Best Company, unless waived by the Municipal Bond Insurer. The District shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. All policies evidencing required insurance shall provide thirty (30) days' prior written notice to the Corporation, the District, the Trustee and the Municipal Bond Insurer of any cancellation, reduction in amount or material change in coverage. The Trustee shall not be responsible for the sufficiency of any insurance required in the Lease Agreement, including any forms of self-insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The District shall cause to be delivered annually on or before each June 1 to the Trustee and the Municipal Bond Insurer a certification, signed by a City Representative, stating compliance with the provisions of the Lease Agreement. The Trustee shall be entitled to rely on such certification without independent investigation. The District shall have the adequacy of any insurance reserves maintained by the District or by a joint exercise of powers authority, if applicable, for purposes of the insurance required by the Lease Agreement reviewed at least annually, on or before each June 1, by an independent insurance consultant and shall maintain reserves in accordance with the recommendations of such consultant to the extent moneys are available for such purpose and not otherwise appropriated.

Tax Covenants

Private Activity Bond Limitation. The District shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Lease Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Lease Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Rebate Requirement. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates and the Lease Agreement.

No Arbitrage. The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates or the Lease Agreement to be “arbitrage bonds” within the meaning of section 148 of the Code.

Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

No Condemnation

The District covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the District will not exercise the power of condemnation with respect to the Property. The District further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the District should fall or refuse to abide by such covenant and condemns the Property, the appraised value of the Property shall not be less than the greater of (i) if the Certificates are then subject to redemption, the principal and interest components of the Certificates Outstanding through the date of their redemption, or (ii) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates to the first available redemption date in accordance with the Trust Agreement.

Eminent Domain

If all of the Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (1) the Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the District and the Corporation and communicated to the Trustee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property, except to the extent of special funds available for the payment of Lease Payments.

Application of Net Proceeds

From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of any portion of the Property constituting structures, if any, by fire or other casualty shall be paid by the District to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund held by the Trustee and applied as set forth in the Trust Agreement.

From Eminent Domain Award. The Net Proceeds of any eminent domain award shall be paid by the District to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

From Title Insurance. The Net Proceeds of any title insurance award shall be paid to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

Abatement of Lease Payments in the Event of Damage or Destruction

Lease Payments shall be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the District of the Property or any portion thereof to the extent to be agreed upon by the District and the Corporation and communicated by a City Representative to the Trust-

tee. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in the Lease Agreement, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties, or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a City Representative to the Trustee. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that (a) the proceeds of rental interruption insurance, or (b) amounts in the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated, it being declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

Access to the Property

The District agrees that the Corporation and any City Representative, and the Corporation's successors or assigns, and the Municipal Bond Insurer, shall have the right at all reasonable times to enter upon and to examine and inspect the Property. The District further agrees that the Corporation, any City Representative, and the Corporation's successors or assigns, and the Municipal Bond Insurer, shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the District to perform its obligations under the Lease Agreement.

Release and Indemnification Covenants

The District shall and agrees to indemnify and save the Corporation, the Trustee and the Municipal Bond Insurer and their officers, agents, directors, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Property by the District, (ii) any breach or default on the part of the District in the performance of any of its obligations under the Lease Agreement or the Trust Agreement, (iii) any act or omission of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (iv) any act or omission of any sublessee of the District with respect to the Property, or (v) the authorization of payment of the Delivery Costs. Such indemnification shall include the costs and expenses of defending any claim or liability arising under the Lease Agreement or the Trust Agreement and the transactions contemplated thereby. No indemnification is made in the Lease Agreement for willful misconduct, negligence or breach of duty under the Lease Agreement by the Corporation, its officers, agents, directors, employees, successors or assigns.

Assignment by the Corporation

The Corporation's rights under the Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the District under the Lease Agreement, have been assigned to the Trustee pursuant to the Assignment Agreement.

Assignment and Subleasing by the District

The Lease Agreement may not be assigned by the District. The District may sublease the Property or any portion thereof, but only with the written consent of the Corporation and the Municipal Bond Insurer and subject to, and delivery to the Corporation of a certificate as to, all of the following conditions:

(a) The Lease Agreement and the obligation of the District to make Lease Payments shall remain obligations of the District;

(b) The District shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation, the Trustee and the Municipal Bond Insurer a true and complete copy of such sublease;

(c) No such sublease by the District shall cause the Property to be used for a purpose other than as may be authorized under the provisions of the Constitution and laws of the State; and

(d) The District shall furnish the Corporation, the Trustee and the Municipal Bond Insurer with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such sublease does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

Amendment of Lease Agreement

(a) *Substitution of Site or Facility.* The District shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a "Substitute Site") and/or a substitute facility (a "Substitute Facility") for the Site (the "Former Site"), or a portion thereof, and/or the Facility (the "Former Facility"), or a portion thereof, provided that the District shall satisfy all of the following requirements (to the extent applicable) which are declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Site, the District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) If a substitution of the Facility, the District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iv) If a substitution of the Facility, the District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(v) The District shall certify in writing to the Corporation, the Trustee and the Municipal Bond Insurer that such Substitute Site and/or Substitute Facility serve the purposes of the District, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the District is permitted to lease under the laws of the State;

(vi) The District delivers to the Corporation, the Trustee and the Municipal Bond Insurer evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Property following such substitution is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(vii) The Substitute Site and/or Substitute Facility shall not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement;

(viii) The District shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(ix) The District shall certify that the Substitute Site and/or the Substitute Facility is of the same or greater essentiality to the District as was the Former Site and/or the Former Facility;

(x) The District shall provide notice of the substitution to any rating agency then rating the Certificates which rating was provided at the request of the District or the Corporation;

(xi) The District shall furnish the Corporation, the Trustee and the Municipal Bond Insurer with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes; and

(xii) the Municipal Bond Insurer shall provide written consent to such substitution.

(b) *Release of Site.* The District shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the District shall satisfy all of the following requirements which are declared to be conditions precedent to such release:

(i) The District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Site and Facility Lease which describes the Site, as revised by such release;

(ii) The District delivers to the Corporation, the Trustee and the Municipal Bond Insurer evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Site, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Corporation that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

(iii) Such release shall not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement;

(iv) The District shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the District or the Corporation; and

(v) the Municipal Bond Insurer shall provide written consent to such release.

(c) *Generally.* The Corporation and the District may at any time amend or modify any of the provisions of the Lease Agreement, but only (i) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates and the Municipal Bond Insurer, or (ii) without the consent of any of the Owners, but with the prior written consent of the Municipal Bond Insurer, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the District contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved to or conferred upon the District;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Lease Agreement, or in any other respect whatsoever as the Corporation and the District may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Bond Counsel.

Events of Default and Remedies

Events of Default. The following shall be “events of default” under the Lease Agreement and the terms “Events of Default” and “Default” shall mean, whenever they are used in the Lease Agreement, any one or more of the following events:

(a) Failure by the District to pay any Lease Payment or other payment required to be paid at the time specified.

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease Agreement or under the Trust Agreement, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation, the Trustee or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; *provided, however*, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar acts which may hereafter be enacted.

Remedies on Default. The Municipal Bond Insurer Bond Insurer shall have the right to control all remedies for default under both this Lease Agreement and the Trust Agreement. The Trustee shall have the right to re-enter and re-let the Property and to terminate the Lease Agreement.

Whenever any Event of Default shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant in the Lease Agreement to be kept and performed by the District is expressly made a condition and upon the breach thereof, the Corporation may exercise any and all rights of entry and re-entry upon the Property, and also, at its option, with or without such entry, may terminate the Lease Agreement; *provided*, that no such termination shall be effected either by operation of law or acts of the parties to the Lease Agreement, except only in the manner expressly provided in the Lease Agreement. In the event of such default and notwithstanding any re-entry by the Corporation, the District shall, as expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions therein contained and, in any event such rent and/or damages shall be payable to the Corporation at the time and in the manner as provided in the Lease Agreement, to wit:

(a) In the event the Corporation does not elect to terminate the Lease Agreement in the manner provided for below, the District agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions contained in the Lease Agreement and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Property, or, in the event the Corporation is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property

or the exercise of any other remedy by the Corporation. The District irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to enter upon and re-lease the Property in the event of default by the District in the performance of any covenants contained in the Lease Agreement to be performed by the District and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place within Sacramento County, for the account of and at the expense of the District, and the District exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The District waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the District that may be in or upon the Property. The District agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner provided for in paragraph (b) below.

(b) In an Event of Default, the Corporation at its option may terminate the Lease Agreement and re-lease all or any portion of the Property. In the event of the termination of the Lease Agreement by the Corporation at its option and in the manner provided in the Lease Agreement on account of default by the District (and notwithstanding any re-entry upon the Property by the Corporation in any manner whatsoever or the re-leasing of the Property), the District nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided in the Lease Agreement in the case of payment of Lease Payments. Any surplus received by the Corporation from such re-leasing shall be credited towards the Lease Payments next coming due and payable. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the District shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the District of the election on the part of the Corporation to terminate the Lease Agreement. The District covenants and agrees that no surrender of the Property and/or of the remainder of the Term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

No Remedy Exclusive. No remedy is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Agreement now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in the Lease Agreement, it shall not be necessary to give any notice, other than such notice as may be required in the Lease Agreement or by law.

Security Deposit

Notwithstanding any other provision of the Lease Agreement, the District may, on any date, secure the payment of all or a portion of the Lease Payments remaining due by an irrevocable deposit with the Trustee or an escrow holder under an escrow deposit and trust agreement as referenced in the Trust Agreement, of: (a) in the case of a security deposit relating to all Lease Payments, either (i) cash in an amount which, together with amounts on deposit in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in the Lease Agreement, or (ii) Defeasance Obligations in such amount as will, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters

(addressed to the Municipal Bond Insurer), together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations or cash then on deposit and interest earnings thereon in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment Dates; or (b) in the case of a security deposit relating to a portion of the Lease Payments, a certificate executed by a City Representative designating the portion of the Lease Payments to which the deposit pertains, and either (i) cash in an amount which is sufficient to pay the portion of the Lease Payments designated in such City Representative's certificate, including the principal and interest components thereof, or (ii) Defeasance Obligations in such amount as will, together with interest to be received thereon, if any, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters (addressed to the Municipal Bond Insurer), be fully sufficient to pay the portion of the Lease Payments designated in the aforesaid City Representative's certificate.

In the event of a deposit pursuant as to all Lease Payments and the payment of all fees, expenses and indemnifications owed to the Trustee, all obligations of the District under the Lease Agreement shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all payments from the deposit made by the District and the obligations of the District pursuant to the Lease Agreement and title to the Property shall vest in the District on the date of said deposit automatically and without further action by the District or the Corporation. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the payments and said obligation shall thereafter be deemed to be and shall constitute the installment purchase obligation of the District for the Property. Upon said deposit, the Corporation will execute or cause to be executed any and all documents as may be necessary to confirm title to the Property in accordance with the provisions of the Lease Agreement. In addition, the Corporation appoints the District as its agent to prepare, execute and file or record, in appropriate offices, such documents as may be necessary to place record title to the Property in the District.

Prepayment

Optional Prepayment. The Corporation grants an option to the District to prepay the principal component of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Said option may be exercised with respect to Lease Payments due on and after April 15, 2030, in whole or in part on any date, commencing April 15, 2029. Said option shall be exercised by the District by giving written notice to the Corporation, the Trustee and the Municipal Bond Insurer of the exercise of such option at least forty-five (45) days prior to said prepayment date. In the event of prepayment in part, the partial prepayment shall be applied against Lease Payments in such order of payment date as shall be selected by the District. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the District to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Corporation in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

Notwithstanding the foregoing, the District shall not be permitted to prepay any Lease Payments if any amounts are owed to the Municipal Bond Insurer with respect to the Municipal Bond Insurance Policy.

Mandatory Prepayment from Net Proceeds of Insurance, Title Insurance or Eminent Domain. The District shall be obligated to prepay the Lease Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Payment Fund for such purpose. The District and the Corporation agree that such Net Proceeds shall be applied first to the payment of any delinquent Lease Payments, and thereafter shall be credited towards the District's obligations under the Lease Agreement. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the District to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment.

ASSIGNMENT AGREEMENT

The Assignment Agreement is entered into between the Corporation and the Trustee, pursuant to which the Corporation assigns and transfers to the Trustee, for the benefit of the Owners, certain of the rights of the Corporation under the Lease Agreement, including the right to receive Lease Payments under the Lease Agreement and the rights and remedies of the Corporation under the Lease Agreement to enforce payment of Lease Payments or otherwise to protect and enforce the Lease Agreement in the event of default by the District. Certain rights of the Corporation to payment of advances, indemnification and attorneys' fees and expenses are not assigned.

TRUST AGREEMENT

Project Fund; Payment of Project Costs

There shall be deposited in the Project Fund from the proceeds of the Certificates the amount required to be deposited therein, together with any other amounts from time to time deposited with the Trustee for such purpose as may be identified in writing to the Trustee.

Amounts in the Project Fund shall be disbursed for Project Costs. Disbursements from the Project Fund shall be made by the Trustee upon receipt of a sequentially numbered requisition requesting disbursement executed by a City Representative. Each such requisition shall:

- (a) set forth the amounts to be disbursed for payment or reimbursement of previous payments of Project Costs and the person or persons to whom said amounts are to be disbursed;
- (b) state that the amounts to be disbursed constitute Project Costs, that said amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the District, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment;
- (c) state that no amount set forth in the requisition was included in any requisition requesting disbursement previously filed with the Trustee ; and
- (d) state that there has been compliance with the Lease Agreement relating to the private use limitation and the private loan limitation.

The Trustee shall be responsible for the safekeeping and investment of the moneys held in the Project Fund and the payment thereof in accordance with the Trust Agreement, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

Upon the filing with the Trustee of a Written Certificate of the District stating that the Project has been completed, the Trustee shall withdraw any remaining amounts then on deposit in the Project Fund and, at the direction of the District, either (i) transfer such amounts to the Lease Payment Fund and applied to the payment of interest with respect to the Certificates, or (ii) apply such amount to the redemption of Certificate in accordance with the Trust Agreement and, in either case, the Project Fund shall be closed and the Trustee shall no longer be obligated to make payments for Project Costs.

Delivery Costs Fund; Payment of Delivery Costs

There shall be deposited in the Delivery Costs Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement and any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

The moneys in the Delivery Costs Fund shall be disbursed by the Trustee to pay the Delivery Costs. Disbursements from the Delivery Costs Fund shall be made by the Trustee on receipt of a sequentially numbered requisition, signed by a City Representative.

The Trustee shall be responsible for the safekeeping and investment (in accordance with the Trust Agreement) of the moneys held in the Delivery Costs Fund and the payment thereof in accordance with the Trust Agreement, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

Upon written notice from a City Representative that all Delivery Costs have been paid, the Trustee shall transfer any moneys then remaining in the Delivery Costs Fund to the Project Fund and applied for the purposes of such fund, the Delivery Costs Fund shall be closed, the Trustee shall no longer be obligated to make payments for Delivery Costs and all further Delivery Costs shall be paid by the District.

Assignment of Rights in Lease Agreement

The Corporation has, in the Assignment Agreement, transferred, assigned and set over to the Trustee certain of its rights but none of its obligations set forth in the Lease Agreement, including but not limited to all of the Corporation's rights to receive and collect Lease Payments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease Agreement or pursuant to the Trust Agreement. All Lease Payments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee and all of the Lease Payments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and all such Lease Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund.

Lease Payment Fund

All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation shall have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement.

There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Trust Agreement or the Lease Agreement, and any other moneys required to be deposited therein pursuant to the Lease Agreement or the Trust Agreement.

All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same shall become due and payable in accordance with the provisions of the Trust Agreement.

Any surplus remaining in the Lease Payment Fund after redemption and/or payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee and payment of any amounts owed to the Municipal Bond Insurer, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the District.

Reserve Fund

In lieu of a cash deposit to the Reserve Fund the Reserve Policy shall be delivered to the Trustee on the Closing Date. The prior written consent of the Municipal Bond Insurer shall be a condition precedent to the deposit of any credit instrument (other than the Reserve Policy) provided in lieu of a cash deposit into the Reserve Fund. Notwithstanding anything to the contrary set forth in the Trust Agreement, amounts on deposit in the Reserve Fund shall be applied solely to the payment of principal and interest due with respect to the Certificates.

The Trustee shall, on or before each February 15 and August 15, value investments in the Reserve Fund at market value and transfer any moneys in the Reserve Fund then in excess of the Reserve Requirement; *provided, however*, that the Trustee shall not liquidate an investment to make such transfer of excess unless so directed in writing by a City Representative.

If, on any Interest Payment Date, the moneys available in the Lease Payment Fund do not equal the amount of the principal, interest and redemption premium (if any) with respect to the Certificates then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make delinquent Lease Payments by transferring the amount necessary for this purpose to the Lease Payment Fund or shall draw on the Reserve Policy and apply amounts received from such draw to make delinquent Lease Payments by transferring the amount necessary for this purpose to the Lease Payment Fund. To the extent there is cash or investments on deposit in the Reserve Fund, such cash or investments shall be applied first before there is any draw on the Reserve Policy or any other credit facility credited to the Reserve Fund in lieu of cash (a "Credit Facility"). Payment of any Reserve Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Reserve Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw. Upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the Reserve Fund or there has been a draw on the Reserve Policy, such Lease Payment shall be deposited in the Reserve Fund to the extent of such advance and first applied to reimburse a draw on the Reserve Policy and then to replenish any cash drawn therefrom. If the interest provisions of this paragraph shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created in the Trust Agreement, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party to the Trust Agreement, be applied as additional interest for any later periods of time when amounts are outstanding under the Trust Agreement to the extent that interest otherwise due under the Trust Agreement for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Municipal Bond Insurer, with the same force and effect as if the District had specifically designated such extra sums to be so applied and the Municipal Bond Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created in the Trust Agreement exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection

The Trustee shall ascertain the necessity for a claim upon the Reserve Policy and to provide notice to the Municipal Bond Insurer in accordance with the terms of the Reserve Policy at least five (5) business days prior to each date upon which interest or principal is due with respect to the Certificates.

The District agrees to repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Municipal Bond Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Municipal Bond Insurer at the Late Payment Rate.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Reserve Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Reserve Policy Costs related to such draw.

Amounts in respect of Reserve Policy Costs paid to the Municipal Bond Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Municipal Bond Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

If the District shall fail to pay any Reserve Policy Costs in accordance with the requirements of the Trust Agreement, the Municipal Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Trust Agreement, other than (i) acceleration of the maturity of the Certificates, or (ii) remedies which would adversely affect Owners.

Neither the Trust Agreement nor the Lease Agreement shall be discharged until all amounts due to the Municipal Bond Insurer shall have been paid in full. The District's obligation to pay such amounts shall expressly survive payment in full of the Certificates.

If, on any Interest Payment Date, the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal and interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal and interest, the Trustee shall transfer all amounts then on deposit in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments, and such moneys shall be distributed to the Owners of Certificates in accordance with the Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates and all amounts due the Municipal Bond Insurer and the Trustee under the Trust Agreement, or upon provision for such payment as provided in the Trust Agreement, shall be withdrawn by the Trustee and paid to the District.

Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award

(a) Any Net Proceeds of insurance against damage to or destruction of any part of the Property collected by the District in the event of any such damage or destruction shall be paid to the Trustee by the District pursuant to the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the "Insurance and Condemnation Fund" to be established by the Trustee when deposits are required to be made therein.

(b) Within ninety (90) days following the date of such deposit, the District shall determine and notify the Trustee in writing of its determination either (i) that the replacement, repair, restoration, modification or improvement of the Property is not economically feasible or in the best interest of the District, or (ii) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property.

(c) In the event the District's determination is as set forth in clause (i) of paragraph (b) above, such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund, applied to the prepayment of Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates as provided in the Trust Agreement; *provided, however*, that in the event of damage or destruction of the Property in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments pursuant to the Lease Agreement, otherwise such Net Proceeds shall be applied to the replacement, repair, restoration, modification or improvement of the Property; *provided further, however*, that in the event of damage or destruction of the Property in part, such Net Proceeds may be transferred to the Lease Payment Fund and applied to the prepayment of Lease Payments only if the resulting Lease Payments represent fair consideration for the remaining portions of the Property, evidenced by a certificate signed by a City Representative and an Corporation Representative.

(d) In the event the District's determination is as set forth in clause (ii) of paragraph (b) above, Net Proceeds deposited in the Insurance and Condemnation Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the District, and disbursed by the Trustee upon receipt of requisitions signed by a City Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the District.

Application of Net Proceeds of Eminent Domain Award

If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the District has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are not needed for repair or rehabilitation of the Property, the District shall so certify to the Trustee and the Trustee, at the District's written request, shall transfer such proceeds to the Lease Payment Fund to be credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

(b) If the District has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are needed for repair, rehabilitation or replacement of the Property, the District shall so certify to the Trustee and the Trustee, at the District's written request, shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for such repair or rehabilitation, upon the filing with the Trustee of requisitions of the District Representative in the form and containing the provisions set forth in the Trust Agreement. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein.

(c) If (i) less than all of the Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the District has given written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under the Lease Agreement or (ii) all of the Property shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

Application of Net Proceeds of Title Insurance Award

The Net Proceeds from a title insurance award shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be transferred to the Lease Payment Fund to be credited towards the prepayment of Lease Payments required to be paid pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

Moneys in Funds; Investment

Held in Trust. The moneys and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates and for the purposes specified in the Trust Agreement and such moneys, and any income or interest earned thereon, shall be expended only as provided in the Trust Agreement and shall not be subject to levy, attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee, the District or any Owner of Certificates.

Investments Authorized. Moneys held by the Trustee under the Trust Agreement shall, upon written order of a City Representative, be invested and reinvested by the Trustee in Permitted Investments. The Trustee may deem all investments directed by a City Representative as Permitted Investments without independent investigation thereof. If a City Representative shall fail to so direct investments, the Trustee shall hold such moneys uninvested. Such investments, if registrable, shall be registered in the name of and held by the Trustee or its nominee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as principal or agent in the making or disposing of any investment and make or dispose of any investment through its investment department or that of an affiliate and shall be entitled to its customary fees therefor. The Trustee is authorized, in making or disposing of any investment permitted by the Trust Agreement, to deal with itself (in its individual capacity) or with one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account. The Trustee may rely on the investment directions of the District Representative as to both the suitability and legality of the directed investments.

Unless otherwise consented to by the Municipal Bond Insurer, so long as any Certificates remain outstanding or any amounts are owed to the Municipal Bond Insurer by the District, the District shall not enter into any interest rate exchange agreement, cap, collar, floor, ceiling or other agreement or instrument involving reciprocal payment obligations between the District and a counterparty based on interest rates applied to a notional amount of principal.

Allocation of Earnings. Unless and until otherwise directed by the District to the Trustee in writing, all interest or income received by the Trustee on investment of the Lease Payment Fund shall as received, prior to the Completion Date, be transferred to the Project Fund (except as otherwise provided in the Trust Agreement) and thereafter shall be retained in the Lease Payment Fund. Amounts retained or deposited in the Lease Payment Fund shall be applied as a credit against the Lease Payment due by the District pursuant to the Lease Agreement on the Lease Payment Date following the date of deposit. All interest or income in the Project Fund shall be retained in the Project Fund until the Project Fund is closed. All interest or income in the Delivery Costs Fund shall be retained in the Delivery Costs Fund until the Delivery Costs Fund is closed. All interest or income in the Delivery Costs Fund shall be retained in the Delivery Costs Fund until the Delivery Costs Fund is closed pursuant to the Trust Agreement.

Such investments shall be valued by the Trustee not less often than quarterly, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date.

Amendments

The Trust Agreement and the rights and obligations of the Owners of the Certificates, the Lease Agreement and the rights and obligations of the parties thereto, the Site and Facility Lease and the rights and obligations of the parties thereto and the Assignment Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount

of principal thereof, without the express consent of the Owner of such Certificate, or (2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of a Lease Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in the Trust Agreement.

The Trust Agreement and the rights and obligations of the Owners of the Certificates and the Lease Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of the Corporation or the District, (2) to cure, correct or supplement any ambiguous or defective provision contained therein and which shall not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners of the Certificates, (3) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interests of the Owners of the Certificates; (4) to make such additions, deletions or modifications as may be necessary or appropriate in the opinion of bond counsel to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates, (5) to add to the rights of the Trustee, or (6) to maintain the rating or ratings assigned to the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties thereto, as the case may be.

The Trust Agreement and the Lease Agreement may not be modified or amended at any time by a supplemental agreement which would modify any of the rights and obligations of the Trustee without its written assent thereto.

Certain Covenants

Compliance with and Enforcement of Lease Agreement. The District covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement. The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement.

The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of their respective Lease Agreement by the Corporation thereunder. The Corporation and the District, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the District or the Corporation, will deliver the same, or a copy thereof, to the Trustee.

Observance of Laws and Regulations. The District and the Corporation will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District or the Corporation, respectively, including its right to exist and carry on business as a public entity, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Budgets. The District shall supply to the Trustee as soon as practicable, but not later than September 15 in each year, a written determination by a City Representative that the District has made adequate provision in its annual budget for the payment of Lease Payments due under the Lease Agreement in the Fiscal Year covered by such budget. The determination given by the District to the Trustee shall be that the amounts so budgeted are fully adequate for the payment of all Lease Payments and Additional Payments due under the Lease Agreement in the annual period covered by such budget.

Continuing Disclosure. The District covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may, upon payment of its fees and expenses, including counsel fees, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Certificates, shall or any holder or beneficial owner of the Certificates may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Limitation of Liability

Limited Liability of City. Except for the payment of Lease Payments when due in accordance with the Lease Agreement and the performance of the other covenants and agreements of the District contained in the Lease Agreement and the Trust Agreement, the District shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee, except as expressly set forth in the Trust Agreement.

No Liability of City or Corporation for Trustee Performance. Neither the District nor the Corporation shall have any obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Indemnification of Trustee. The District shall to the extent permitted by law indemnify and save the Trustee, its officers, employees, directors, affiliates and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses (including allocated costs of internal counsel), arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Property by the Corporation or the District; (ii) any breach or default on the part of the Corporation or the District the performance of any of their respective obligations under the Lease Agreement, the Assignment Agreement, the Trust Agreement and any other agreement made and entered into for purposes of the Property; (iii) any act of the Corporation or the District or of any of their respective agents, contractors, servants, employees, licensees with respect to the Property; (iv) any act of any assignee of, or purchaser from the Corporation or the District or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Property; (v) the authorization of payment of Delivery Costs; (vi) the actions of any other party, including but not limited to the ownership, operation or use of the Property by the Corporation or the District including, without limitation, the use, storage, presence, disposal or release of any Hazardous Substances on or about the Property; (vii) the Trustee's exercise and performance of its powers and duties under the Trust Agreement or as assigned to it under the Assignment Agreement; (viii) the offering and sale of the Certificates; (ix) the presence under or about or release from the Property, or any portion thereof, of any substance, material or waste which is or becomes regulated or classified as hazardous or toxic under State, local or federal law, or the violation of any such law by the District; or (x) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, in any official statement or other offering document utilized in connection with the sale of the Certificates. Such indemnification shall include the costs and expenses of defending against any claim or liability arising under the Trust Agreement. No indemnification will be made under the Trust Agreement for willful misconduct or negligence under the Trust Agreement by the Trustee, its officers, affiliates or employees. The District's obligations under the Trust Agreement shall remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of the Trustee.

Assignment of Rights; Remedies. Pursuant to the Assignment Agreement, the Corporation has transferred, assigned and set over to the Trustee certain of the Corporation's rights in and to the Lease Agreement, including without limitation all of the Corporation's rights to exercise such rights and remedies conferred on the Corporation pursuant to the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments and any other amounts required to be deposited in the Lease Payment Fund or the Insurance and Condemnation Fund,

and (ii) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee shall, upon request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and upon payment of its fees and expenses, including counsel fees, and being indemnified to its satisfaction therefor shall, exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Trust Agreement or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

Certain Provisions relating to the Municipal Bond Insurer and the Municipal Bond Insurance Policy

Defeasance. In the event that the principal and/or interest due with respect to the Insured Certificates shall be paid by the Municipal Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Insured Certificates shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District to the Owners shall continue to exist and shall run to the benefit of the municipal bond insurer and the municipal bond insurer shall be subrogated to the rights of such Owners, including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Insured Certificates.

Trustee-Related Provisions. the municipal bond insurer shall receive prior written notice of any name change of the Trustee or the resignation, removal or termination of the Trustee. No resignation, removal or termination of the Trustee shall take effect until a successor, acceptable to the Municipal Bond Insurer, shall be appointed. The Trustee may be removed at any time at the request of the Municipal Bond Insurer for any breach of its obligations under the Trust Agreement.

Amendments and Supplements. With respect to any amendments or supplements to the Trust Agreement, the Site and Facility Lease or the Lease Agreement, the Municipal Bond Insurer's prior written consent shall be required.

Copies of any amendments or supplements to the Trust Agreement or the Lease Agreement which are consented to by the Municipal Bond Insurer shall be sent to the rating agencies that have assigned a rating to the Insured Certificates.

Notwithstanding any other provision of the Trust Agreement or the Lease Agreement, in determining whether the rights of Owners will be adversely affected by any action taken pursuant to the terms and provisions thereof, the effect on the Owners shall be considered as if there was no Municipal Bond Insurance Policy.

The Municipal Bond Insurer shall be deemed to be the sole holder of the Insured Certificates for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners are entitled to take pursuant the provisions of the Trust Agreement pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee.

The Municipal Bond Insurer as Third Party Beneficiary. To the extent that the Trust Agreement or the Lease Agreement confer upon or give or grant to the Municipal Bond Insurer any right, remedy or claim under or by reason of the Trust Agreement or the Lease Agreement, the Municipal Bond Insurer is explicitly recognized as being a third party beneficiary under the Trust Agreement and may enforce any such right, remedy or claim conferred, given or granted under the Trust Agreement.

Control Rights. (a) The Municipal Bond Insurer shall be deemed to be the sole holder of the Insured Certificates for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners are entitled to take pursuant the provisions of the Trust Agreement. pertaining to (i) defaults

and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof, the Trustee and each Owner appoint the Municipal Bond Insurer as their agent and attorney-in-fact and agree that the Municipal Bond Insurer may at any time during the continuation of any proceeding by or against the District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Owner delegate and assign to the Municipal Bond Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Owner in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Owners shall expressly include mandamus.

The rights granted to the Municipal Bond Insurer under the Lease Agreement, the Assignment Agreement and/or the Trust Agreement to request, consent to or direct any action are rights granted to the Municipal Bond Insurer in consideration of its issuance of the Municipal Bond Insurance Policy. Any exercise by the Municipal Bond Insurer of such rights is merely an exercise of the Municipal Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Municipal Bond Insurer, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of the Municipal Bond Insurer.

Consent Rights of the Municipal Bond Insurer. Any provision of the Trust Agreement or the Lease Agreement expressly recognizing or granting rights in or to the Municipal Bond Insurer may not be amended in any manner that affect the rights of the Municipal Bond Insurer thereunder without the prior written consent of the Municipal Bond Insurer.

Wherever the Trust Agreement or the Lease Agreement require the consent of Owners, the Municipal Bond Insurer's consent shall also be required.

Any reorganization or liquidation plan with respect to the District must be acceptable to the Municipal Bond Insurer. In the event of any reorganization or liquidation, the Municipal Bond Insurer shall have the right to vote on behalf of all Owners who hold Insured Certificates guaranteed by the Municipal Bond Insurer, absent a default by the Municipal Bond Insurer under the Municipal Bond Insurance Policy.

Payment Procedure Under the Municipal Bond Insurance Policy. If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal and interest with respect to the Insured Certificates due on such Payment Date, the Trustee shall give notice to the Municipal Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal and interest with respect to the Insured Certificates due on such Payment Date, the Trustee shall make a claim under the Municipal Bond Insurance Policy and give notice to the Municipal Bond Insurer and the Municipal Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest with respect to the Insured Certificates and the amount required to pay principal with respect to the Insured Certificates, confirmed in writing to the Municipal Bond Insurer and the Municipal Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Insured Certificate delivered with the Municipal Bond Insurance Policy.

The Trustee shall designate any portion of payment of principal with respect to Insured Certificates paid by the Municipal Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Certificates registered to the then current Owners, and shall issue a replacement Insured Certificate to the Municipal Bond Insurer, registered in the

name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Certificate shall have no effect on the amount of principal or interest payable by the District with respect to any Insured Certificate or the subrogation rights of the Municipal Bond Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Municipal Bond Insurer into the Municipal Bond Insurance Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal with respect to any Insured Certificate. The Municipal Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners referred to as the "Municipal Bond Insurance Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of Owners and shall deposit any such amount in the Municipal Bond Insurance Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners in the same manner as principal and interest payments are to be made with respect to the Insured Certificates under the sections of the Trust Agreement regarding payment of Insured Certificates. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in the Trust Agreement to the contrary, the District agrees to pay to the Municipal Bond Insurer (i) a sum equal to the total of all amounts paid by the Municipal Bond Insurer under the Municipal Bond Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Municipal Bond Insurer until payment thereof in full, payable to the Municipal Bond Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the District of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest with respect to the Insured Certificates; and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The District covenants and agrees that the Municipal Bond Insurer Reimbursement Amounts are secured on a parity with amounts due under the Lease Agreement.

Funds held in the Municipal Bond Insurance Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Municipal Bond Insurance Policy Payments Account following a Payment Date shall promptly be remitted to the Municipal Bond Insurer.

The Municipal Bond Insurer shall, to the extent it makes any payment of principal or interest with respect to the Insured Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy. Each obligation of the District to the Municipal Bond Insurer under the Lease Agreement or the Trust Agreement shall survive discharge or termination of the Lease Agreement or the Trust Agreement.

The District shall pay or reimburse the Municipal Bond Insurer any and all charges, fees, costs and expenses that the Municipal Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Lease Agreement, the Assignment Agreement or the Trust Agreement; (ii) the pursuit of any remedies under the Lease Agreement, the Assignment Agreement or the Trust Agreement or otherwise afforded by law or equity; (iii) any amendment, waiver or other action with respect to, or related to, the Lease Agreement, the Assignment Agreement or the Trust Agreement whether or not executed or completed; or (iv) any litigation or other dispute in connection with the Lease Agreement, the Assignment Agreement or the Trust Agreement or the transactions contemplated thereby, other than costs resulting from the failure of the Municipal Bond Insurer to honor its obligations under the Municipal Bond Insurance Policy. The Municipal

Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Lease Agreement, the Assignment Agreement or the Trust Agreement.

After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the District or rebate only after the payment of past due and current debt service on the Insured Certificates and amounts required to restore the Reserve Fund to the Reserve Requirement.

The Municipal Bond Insurer shall be entitled to pay principal or interest with respect to the Insured Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy), whether or not the Municipal Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

Swap Agreements. Any interest rate exchange agreement ("Swap Agreement") entered into by the District or the Corporation, secured by and payable from Lease Payments, shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Municipal Bond Insurer, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to debt service with respect to the Insured Certificates and on any debt on parity with the Lease Payments. The District shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Municipal Bond Insurer prior to the payment of any such termination amount that such payment will not cause the District to be in default under the Related Documents, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least "A-" and "A3" by Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's"). If the counterparty or guarantor's rating falls below "A-" or "A3" by either S&P or Moody's, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Municipal Bond Insurer. If the counterparty or the guarantor's long term unsecured rating falls below "Baa1" or "BBB+" by either Moody's or S&P, a replacement counterparty or guarantor, acceptable to the Municipal Bond Insurer, shall be required.

APPENDIX F

DTC'S BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F, concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's book-entry system, has been furnished by DTC for use in official statements and the District takes no responsibility for the completeness or accuracy thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix F. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates (as used in this Appendix F, the "Securities"). The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

APPENDIX G

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 execution and delivery of \$36,365,000* Certificates of Participation (2025 Financing Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2025, by and among U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), the District and the Public Property Financing Corporation of California (the “Trust Agreement”). Pursuant to Section 11.08 of the Trust Agreement, the District covenants and agree as follows:

Section 1. Definitions. In addition to the definitions set forth above and in the Trust Agreement 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 the date that is nine months after the end of the District’s fiscal year (currently March 31 based on the District’s fiscal year end of June 30).

“*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 June 1 in any year and extending to the next succeeding June 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 Certificates.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Certificates.

“*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.

* Preliminary, subject to change.

“*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 Certificates 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, 2026, with the report for fiscal year 2024-25 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(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District 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, as follows:

- (i1) The District's adopted budget for the then current fiscal year.
- (ii) The average daily attendance in District schools on an aggregate basis for the most recent year for which data is available.
- (iii) Pension plan contributions made by the District for the for the most recent year for which data is available.
- (iv) 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.
- (v) 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.
- (vi) 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 Certificates:

- (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; and

(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) 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 Certificates under the Trust Agreement.

(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 the Rule.

(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 or an obligated person 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 an obligated person, 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 Certificates. If such termination occurs prior to the final maturity of the Certificates, 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, 5(a), 5(b) or 5(c), 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 Certificates, 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 Certificates, 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 Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement 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 Certificates.

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 Certificates 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 Trust Agreement, 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 Trust Agreement is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Trust Agreement. 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 Certificates.

(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 holders and beneficial owners from time to time of the Certificates and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: [Closing Date]

FULLERTON JOINT UNION HIGH SCHOOL
DISTRICT

By _____
Assistant Superintendent,
Business Services

ACKNOWLEDGED:

KOPPEL & GRUBER PUBLIC FINANCE, as
Dissemination Agent

By _____
Principal

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Fullerton Joint Union High School District

Name of Issue: Certificates of Participation (2025 Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be made by the Fullerton Joint Union High School District, as the Rental for Certain Property Pursuant to a Lease Agreement with the Public Property Financing Corporation of California

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 Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

KOPPEL & GRUBER PUBLIC FINANCE, as
Dissemination Agent

By _____
Authorized Officer

APPENDIX H
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)

APPENDIX I

ORANGE COUNTY TREASURY POOL

Under California Government Code Section (CGC) 53601, effective January 1, 2025, the Board of Supervisors of the County became the named fiduciary subject to the prudent investor standard and retained the authority to invest or reinvest the funds of the county and the funds of the Educational Districts in the County Treasury.

The primary goal of the Orange County Treasury Pool 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.

The Orange County Auditor-Controller Internal Audit Division audits the County Treasury on a quarterly and annual basis pursuant to CGC 26920 and 26922. In addition, an annual compliance audit is also conducted as required by CGC 27134. All investment audit reports and the monthly Treasurer's Investment Report are available on line at octreasurer.gov/publicfunds. (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 Treasury are invested in the Orange County Treasury Pool, which pools all of the public funds from the County and the Educational Districts. Neither the District nor the Underwriter has made an independent investigation of the investments in the Orange County Treasury Pool. The value of the various investments in the Orange County Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. As of January, 31, 2025, Fitch Ratings, LLC has rated the pooled funds in the County Treasury at AAA for credit risk and a volatility rating of S1.

