NEW ISSUE -- FULL BOOK-ENTRY

INSURED RATING: Standard & Poor's: "AA-"
UNDERLYING RATING: Standard & Poor's: "A+"
See "RATINGS"

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). Bond Counsel also observes that interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations; although such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$35,000,000
PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds, 2012 Election, Series A

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

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

The Perris Union High School District (Riverside County, California) General Obligation Bonds, 2012 Election, Series A (the "Bonds"), in the aggregate principal amount of $35,000,000, were authorized at an election of the registered voters of the Perris Union High School District (the "District") held on November 6, 2012, at which more than 55% of the persons voting on the proposition voted to authorize the issuance and sale of $153,420,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to finance the repair, upgrading, modernization, renovation, construction and equipping of certain District property and facilities, to pay capitalized interest on the Bonds, and to pay certain costs of issuing the Bonds.

The Bonds represent a general obligation of the District, payable solely from *ad valorem* property taxes. The Board of Supervisors of Riverside County (the "County") is empowered and obligated to annually levy *ad valorem* taxes for the payment of the principal of and interest on the Bonds upon all property subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates).

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

Interest with respect to the Bonds accrues from the date of delivery of the Bonds and is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2014. Payment to owners of $1,000,000 or more in principal amount of the Bonds, at the owner's option, will be made by wire transfer. The Bonds are issuable as fully registered Bonds in denominations of $5,000 principal amount or any integral multiple thereof.

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

The scheduled payment of principal of and interest on the Bonds, when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

ASSURED GUARANTY® MUNICIPAL

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

MATURITY SCHEDULE
(see inside front cover)

The Bonds are offered when, as and if issued, and received by the Underwriter subject to the approval as to their legality by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Disclosure Counsel, and by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, as District Counsel; certain legal matters will be passed upon for the Underwriter by McFarlin & Anderson LLP, Laguna Hills, California. The Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about August 6, 2013.

STIFEL

The date of this Official Statement is July 23, 2013.

MATURITY SCHEDULE

$35,000,000
PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds, 2012 Election, Series A
Base CUSIP†: 714398

$7,850,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2014	$1,595,000	2.000%	0.480%	FX7
2015	1,470,000	4.000	0.790	FY5
2016	1,590,000	4.000	1.200	FZ2
2018	35,000	4.000	2.020	GA6
2019	85,000	4.000	2.400	GB4
2020	140,000	4.000	2.790	GC2
2021	200,000	4.000	3.140	GD0
2022	265,000	4.000	3.450	GE8
2023	330,000	5.000	3.650	GF5
2024	410,000	5.000	3.950‡	GG3
2025	490,000	4.000	4.150	GH1
2026	575,000	4.125	4.340	GJ7
2027	665,000	4.250	4.500	GK4

$2,605,000 5.000% Term Bonds due September 1, 2030 - Yield 4.720%‡ - CUSIP†: GN8

$3,730,000 5.250% Term Bonds due September 1, 2033 - Yield 4.830%‡ - CUSIP†: GR9

$9,465,000 5.250% Term Bonds due September 1, 2038 - Yield 5.050%‡ - CUSIP†: GS7

$11,350,000 5.000% Term Bonds due September 1, 2042 - Yield 5.125% - CUSIP†: GT5

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

‡ Yield to call at par on September 1, 2023.

PROFESSIONAL SERVICES

BOND COUNSEL/DISTRICT COUNSEL

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

DISCLOSURE COUNSEL

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

FINANCIAL ADVISOR

CSG Advisors Incorporated
San Francisco, California

PAYING AGENT

U.S. Bank National Association
Los Angeles, California

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

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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

Stifel, Nicolaus & Company, Incorporated (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 the completeness of such information."

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page and said public offering prices may be changed from time to time by the Underwriter.

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "THE BONDS – Bond Insurance" and "APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" herein.

Perris Union High School District

(Riverside County, California)

Regional Location Map

$35,000,000
PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds, 2012 Election, Series A

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page, and appendices hereto, provides information in connection with the sale of Perris Union High School District (Riverside County, California) General Obligation Bonds, 2012 Election, Series A, in the principal amount of $35,000,000 (the "Bonds").

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

The District

The Perris Union High School District (the "District") was incorporated on August 23, 1897, and covers approximately 182 square miles in the northwestern part of Riverside County (the "County") just south of the City of Riverside. A majority of the City of Perris, all of the City of Menifee, and all of the unincorporated communities of Sun City, Lakeview, Nuevo, Romoland, and Homeland are situated within the District's boundaries. The City of Perris is located 18 miles south of the City of Riverside, 75 miles northeast of the City of San Diego and 70 miles east of the City of Los Angeles.

The District currently operates one middle school, three comprehensive high schools, one continuation high school, one community day-school, one on-line grades 9-12 charter school, and one grades 5-12 military institute charter school. The District provides education for grades 7-12 for students generated by the Perris Elementary School District and grades 9-12 for students generated by the Menifee Union School District, the Nuview Union School District and the Romoland School District. The District additionally operates an independent study program and an adult education program.

The District is governed by a five-member Board of Trustees (the "Board"), each member of which is elected at large to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The day-to-day affairs of the District are the responsibility of its Superintendent. Jonathan L. Greenberg, Ed.D., is the Superintendent of the District and Candace Reines is the Assistant Superintendent, Business Services. See "THE DISTRICT – Administration."

Security and Sources of Payment for the Bonds

The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied and collected by the County on taxable property located within the boundaries of the District. The Board of Supervisors (the "Board of Supervisors") of the County has the power and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "THE BONDS – Security and Sources of Payment."

Purpose of Issue

The proceeds from the sale of the Bonds will be used by the District to (i) finance the repair, upgrading, modernization, renovation, construction and equipping of certain District property and facilities, (ii) pay capitalized interest on the Bonds, and (iii) pay certain costs of issuance of the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS."

Description of the Bonds

Form, Registration and Denomination. The Bonds will be issued in fully registered form only (without coupons), initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the inside cover page hereof, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS – Book-Entry Only System." In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Bond Resolution described herein. See "THE BONDS – Registration, Transfer and Exchange of Bonds."

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

Redemption. The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS – Redemption."

Payments. Interest on the Bonds accrues from their initial date of delivery, and is payable semiannually on each March 1 and September 1 (each a "Bond Payment Date"), commencing March 1, 2014. Principal on the Bonds is payable on September 1 in the amounts and years as set forth on the inside cover page hereof. Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, the designated paying agent, bond registrar, authenticating agent and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry Only System."

Bond Insurance. The scheduled payment of principal of and interest on the Bonds, when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. See "THE BONDS – Bond Insurance" herein.

Tax Matters

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California ("Bond Counsel"), subject, however, to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). Bond Counsel also observes that interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, although Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS – Opinion of Bond Counsel."

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to resolutions adopted by the District's Board and the Board of Supervisors of the County. See "THE BONDS – Authority for Issuance."

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about August 6, 2013.

Continuing Disclosure

The District will covenant for the benefit of bondholders to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of events required to be provided are summarized in Appendix C. See "LEGAL MATTERS – Continuing Disclosure."

Professionals Involved in the Offering

Bowie, Arneson, Wiles & Giannone, Newport Beach, California is acting as Bond Counsel to the District with respect to the Bonds, and also as District Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as Disclosure Counsel to the District in connection with the Bonds. CSG Advisors Incorporated, San Francisco, California, will act as financial advisor to the District in connection with the Bonds. U.S. Bank National Association, Los Angeles, California is acting as Paying Agent with respect to the Bonds. McFarlin & Anderson LLP, Laguna Hills, California will be serving as Underwriter's Counsel in connection with the sale and delivery of the Bonds. Bowie, Arneson, Wiles & Giannone, Stradling Yocca Carlson & Rauth, and McFarlin & Anderson LLP will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

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

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The District does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Superintendent, Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124. The District may impose a charge for copying, mailing and handling.

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

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

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Bond Resolution (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code of the State of California (the "Act"), commencing with Section 53506 *et seq*., as amended, Article XIIIA of the California Constitution, and applicable provisions of the California Education Code and pursuant to a resolution adopted by the Board on May 15, 2013 (the "District Resolution"), and a resolution adopted by the Board of Supervisors of the County on June 4, 2013 (the "Bond Resolution" and together with the District Resolution, the "Resolutions"). The District received authorization at an election held on November 6, 2012, by more than 55% of the votes cast by eligible voters within the District to issue not to exceed $153,420,000 aggregate principal amount of general obligation bonds (the "Authorization"). The Bonds are the first series of bonds issued under the Authorization. See "DISTRICT FINANCIAL INFORMATION – District Debt Structure – General Obligation Bonds" for information concerning other outstanding general obligation bonds of the District.

Security and Sources of Payment

The Bonds are general obligations of the District, and payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes for the payment of the principal of and interest on the Bonds upon all property within the District subject to taxation by the District without limitation as to rate or amount (except certain personal property which is taxable at limited rates). Such taxes, when collected, will be deposited by the County into the Perris Union High School District General Obligation Bonds, 2012 Election, Series A Debt Service Fund (the "Debt Service Fund"), which is segregated and held by the County and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County will hold the Debt Service Fund, the Bonds are not a debt of the County. See "TAX BASE FOR REPAYMENT OF THE BONDS."

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds, as the same becomes due and payable, will be transferred by the County to the Paying Agent which, in turn, shall remit such moneys to DTC to pay, as the case may be, the principal of and interest on the Bonds. DTC will thereupon make payment of principal and interest of such Bonds to the DTC Participants who will thereupon make payments of principal and interest to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds.

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

Description of the Bonds

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

Interest with respect to the Bonds accrues from their date of delivery, and is payable semiannually on March 1 and September 1 of each year (each a "Bond Payment Date"), commencing March 1, 2014. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately preceding any Bond Payment Date to and including such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before February 15, 2014, in which event it shall bear interest from its date; *provided*, that if, at the time of authentication of any Bond interest is in default on any outstanding Bonds, such Bond shall bear interest from the Bond Payment Date to which interest has previously been paid or made available for payment on the outstanding Bonds. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof and mature on September 1 in the years and amounts set forth on the inside cover hereof.

The principal of the Bonds will be payable on the dates indicated on the inside cover page hereof, in lawful money of the United States of America to the registered owner thereof, upon the surrender thereof at the principal corporate trust office of the Paying Agent. The interest on the Bonds will be payable in lawful money of the United States of America to the person whose name appears on the bond registration books of the Paying Agent as the registered owner thereof as of the close of business on the 15th day of the month next preceding any Bond Payment Date (a "Record Date"), whether or not such day is a business day, such interest to be paid by check or draft mailed on such Bond Payment Date to such registered owner at such registered owner's address as it appears on such registration books on the preceding Record Date or at such address as the registered owner may have filed with the Paying Agent for that purpose. The interest payments on the Bonds will be made in immediately available funds (e.g., by wire transfer) to any registered owner of at least $1,000,000 of outstanding Bonds who shall have requested in writing such method of payment of interest on the Bonds prior to the close of business on the Record Date immediately preceding any Bond Payment Date.

Bond Insurance

The following information has been provided by Assured Guaranty Municipal Corp. for use in this Official Statement, and neither the District nor the Underwriter take any responsibility for the accuracy or completeness thereof. Reference is made to Appendix F for a specimen of the municipal bond insurance policy to be issued in connection with the Bonds.

Bond Insurance Policy. Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as to this Official Statement.

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

Assured Guaranty Municipal Corp. AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), 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 operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM 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 AGM in its sole discretion. In addition, the rating agencies may at any time change AGM'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 AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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.

Current Financial Strength Ratings.

On June 12, 2013, S&P published a report in which it affirmed AGM's "AA-" (stable outlook) financial strength rating. AGM can give no assurance as to any further ratings action that S&P may take.

On January 17, 2013, Moody's issued a press release stating that it had downgraded AGM's insurance financial strength rating to "A2" (stable outlook) from "Aa3." AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM'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, 2012 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013.

Capitalization of AGM.

At March 31, 2013, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,468,362,848 and its total net unearned premium reserve was approximately $1,990,661,506, in each case, in accordance with statutory accounting principles.

For additional information relating to the capitalization of AGM, please see the Current Report on Form 8-K filed by AGL with the Securities and Exchange Commission (the "SEC") on July 22, 2013 (excluding the portion thereof "furnished" under Item 7.01 of such Form).

Incorporation of Certain Documents by Reference.

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (filed by AGL with the SEC on March 1, 2013); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 (filed by AGL with the SEC on May 10, 2013).

All consolidated financial statements of AGM and all other information relating to AGM 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 Municipal Corp.: 31 West 52nd Street, 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 AGM included herein under the caption "THE BONDS – Bond Insurance – Assured Guaranty Municipal Corp" herein, or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters.

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "THE BONDS – Bond Insurance" herein.

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter takes any responsibility for the accuracy or completeness thereof. Information presented at any website cited within this section is not incorporated herein by reference. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "MMI Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S.

and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein to the Owners or Holders of the Bonds (other than under the caption "TAX MATTERS") will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Paying Agent

U.S. Bank National Association, located in Los Angeles, California, will act as the registrar, transfer agent, authenticating agent and paying agent (the "Paying Agent") for the Bonds. As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to Owners only to DTC.

Neither the Paying Agent, the District, nor the Underwriter of the Bonds have any responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Bonds.

Redemption

Optional Redemption. The Bonds maturing on or before September 1, 2023, are not subject to redemption. The Bonds maturing on or after September 1, 2024, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part on any date, on or after September 1, 2023, at a redemption price equal to the principal amount of the Bonds called for redemption as of the date set for redemption, plus unpaid accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 2030, are subject to redemption prior to maturity from mandatory sinking fund payments on September 1 of each year, on and after September 1, 2028, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (September 1)	Principal Amount to be Redeemed
2028	$760,000
2029	865,000
2030(1)	980,000

(1) Maturity.

The Term Bonds maturing on September 1, 2033, are subject to redemption prior to maturity from mandatory sinking fund payments on September 1 of each year, on and after September 1, 2031, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (September 1)	Principal Amount to be Redeemed
2031	$1,105,000
2032	1,240,000
2033(1)	1,385,000

(1) Maturity.

The Term Bonds maturing on September 1, 2038, are subject to redemption prior to maturity from mandatory sinking fund payments on September 1 of each year, on and after September 1, 2034, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (September 1)	Principal Amount to be Redeemed
2034	$1,540,000
2035	1,705,000
2036	1,880,000
2037	2,070,000
2038(1)	2,270,000

(1) Maturity.

The Term Bonds maturing on September 1, 2042, are subject to redemption prior to maturity from mandatory sinking fund payments on September 1 of each year, on and after September 1, 2039, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (September 1)	Principal Amount to be Redeemed
2039	$2,490,000
2040	2,710,000
2041	2,950,000
2042[1]	3,200,000

[1] Final maturity.

In the event that a portion of the Term Bonds maturing on September 1, 2030, September 1, 2033, September 1, 2038, or September 1, 2042, are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments for such Term Bonds shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect of the portion of such Bonds optionally redeemed.

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

Notice of Redemption. *While the Bonds are subject to DTC's book-entry system, the Paying Agent will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Bond Resolution.*

The Paying Agent shall give notice of the redemption (a "Redemption Notice") of the Bonds at the expense of the District. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) if less than all of the then-outstanding Bonds are to be called for redemption, shall designate the numbers (or state that all Bonds between two stated numbers both inclusive have been called for redemption) and CUSIP numbers, if any, of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds and the specific Bonds to be redeemed, including the dated date, interest rate and stated maturity date of each. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal of such Bond to be redeemed, together with the interest accrued to the redemption date, and redemption premium, if any, and that from and after such date, interest with respect thereto shall cease to accrue, as applicable.

Any Redemption Notice shall be mailed, by first-class mail, postage prepaid, to the Owners of the Bonds, to a Securities Depository and to a national information service, and by first-class mail, postage prepaid, to the District and the County and the respective Owners of any registered Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least thirty (30) days, but not more than sixty (60) days, prior to the designated redemption date; provided that neither failure to receive such notice, nor any defect in any notice so mailed, shall affect the sufficiency of the proceedings for the redemption of such Bonds nor entitle the Owner thereof to interest beyond the date given for redemption. Neither failure to receive or failure to send, any Redemption Notice, nor any defect in any such Redemption Notice, so mailed shall affect the sufficiency of the proceedings for the redemption of the affected Bonds, nor entitle the Owner thereof to interest beyond the date given for redemption or affect the cessation of accrual of interest, as applicable, represented thereby from and after the redemption date. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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

Effect of Notice of Redemption. Notice having been given pursuant to the Bond Resolution, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside in the Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in the Bond Resolution; together with interest accrued to such redemption date, shall be available therefor on such redemption date, and if notice of redemption thereof shall have been given pursuant to the Bond Resolution, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue. All money held for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

Bonds No Longer Outstanding. All Bonds paid at maturity or redeemed prior to maturity pursuant to the Bond Resolution shall be cancelled upon surrender thereof and be delivered to or upon the order of the County or the District. All or any portion of a Bond purchased by the County or the District shall be cancelled by the Paying Agent.

Contingent Redemption; Rescission of Redemption. Any redemption notice may specify that redemption of the Bonds designated for redemption on a specified date will be subject to the receipt by the District of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and the District, the County and the Paying Agent will have no liability to the Owners of any Bonds, or any other party, as a result of the District's failure to redeem the Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the District may rescind any optional redemption of the Bonds, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the Bonds so called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission. None of the District, the County, or the Paying Agent will have any liability to the Owners of any Bonds, or any other party, as a result of the District's decision to rescind a redemption of any Bonds pursuant to the provisions of the Bond Resolution.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Bond Resolution (the "Bond Register"). Subject to the provisions of the Bond Resolution, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute Owner of that Bond for all purposes of the Bond Resolution. Payment of or on account of the principal, premium, if any, and interest on any Bond shall be made only to or upon the order of the Owner thereof; the District, the County and the Paying Agent shall not be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution. All such payments shall be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

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

Any Bond may be exchanged for Bonds of like tenor, maturity and aggregate principal amount, upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may (but only if the District determines no longer to maintain the book-entry-only status of the Bonds, DTC determines to discontinue providing such services and no successor securities depository is named or DTC requests the District to deliver certificated securities to particular DTC Participants) be transferred on the Bond Register only upon surrender of the Bond for cancellation at the office of the Paying Agent accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner in the aggregate principal amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

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

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be cancelled by the Paying Agent. The District and the County may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District and the County may have acquired in any manner whatsoever, and those Bonds shall be promptly cancelled by the Paying Agent. Written reports of the surrender and cancellation of Bonds shall be made to the District and the County by the Paying Agent and updated annually. The cancelled Bonds shall be destroyed by the Paying Agent in accordance with its procedures as confirmed in writing to the District.

None of the District, the County or the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the day after the Record Date next preceding any Bond Payment

Date or beginning the date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption is given, as applicable, or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

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

(a) Cash: By irrevocably depositing with a bank or trust company in escrow, an amount of cash which together with amounts then on deposit in the Debt Service Fund, is sufficient to pay all Bonds outstanding and designated for defeasance, including all principal of, interest thereon and redemption premium, if any; or

(b) Defeasance Securities: By irrevocably depositing with a bank or trust company in escrow, noncallable Defeasance Securities (as defined below) together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal of, interest thereon and redemption premiums, if any), at or before their maturity date;

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

"Defeasance Securities" shall mean direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. In the case of investments in such proportionate interests, such proportionate interests shall be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying Defeasance Securities; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Defeasance Securities; and (c) the underlying Defeasance Securities are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at the time of purchase at the highest then-prevailing United States Treasury securities credit rating.

Application and Investment of Bond Proceeds

The Bonds are being issued to finance the repair, upgrading, modernization, renovation, construction and equipping of certain District property and facilities, to pay capitalized interest on the Bonds, and to pay certain costs of issuing the Bonds.

The net proceeds from the sale of the Bonds shall be paid to the County to the credit of the "Perris Union High School District General Obligation Bonds, 2012 Election, Series A Building Fund" (the "Building Fund"). Any premium received by the County from the sale of the Bonds shall be kept separate and apart in the Debt Service Fund and used only for payment of principal of and interest on the Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

Expected Investment of Bond Proceeds. Moneys in the Debt Service Fund and the Building Fund are expected to be invested through the County Treasury Pool. See "APPENDIX E – RIVERSIDE COUNTY POOLED INVESTMENT FUND."

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

Sources of Funds	
Principal Amount of the Bonds	$35,000,000.00
Net Original Issue Premium	453,008.95
Total Sources	$35,453,008.95
Uses of Funds	
Building Fund	$34,503,500.00
Debt Service Fund[(1)]	368,968.72
Costs of Issuance[(2)]	580,540.23
Total Uses	$35,453,008.95

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(1) Represents capitalized interest on the Bonds.
(2) Includes Underwriter's discount, legal fees, printing fees, demographics, bond insurance premium, financial advisor's fees, and certain related expenses.

DEBT SERVICE SCHEDULE

The following table summarizes the annual debt service requirements of the District with respect to the Bonds (assuming no optional redemptions are made):

Period Ending September 1	Annual Principal Payment	Annual Interest Payment[1]	Total Annual Debt Service
2014	$1,595,000.00	$1,799,199.92	$3,394,199.92
2015	1,470,000.00	1,650,468.76	3,120,468.76
2016	1,590,000.00	1,591,668.76	3,181,668.76
2017	--	1,528,068.76	1,528,068.76
2018	35,000.00	1,528,068.76	1,563,068.76
2019	85,000.00	1,526,668.76	1,611,668.76
2020	140,000.00	1,523,268.76	1,663,268.76
2021	200,000.00	1,517,668.76	1,717,668.76
2022	265,000.00	1,509,668.76	1,774,668.76
2023	330,000.00	1,499,068.76	1,829,068.76
2024	410,000.00	1,482,568.76	1,892,568.76
2025	490,000.00	1,462,068.76	1,952,068.76
2026	575,000.00	1,442,468.76	2,017,468.76
2027	665,000.00	1,418,750.00	2,083,750.00
2028	760,000.00	1,390,487.50	2,150,487.50
2029	865,000.00	1,352,487.50	2,217,487.50
2030	980,000.00	1,309,237.50	2,289,237.50
2031	1,105,000.00	1,260,237.50	2,365,237.50
2032	1,240,000.00	1,202,225.00	2,442,225.00
2033	1,385,000.00	1,137,125.00	2,522,125.00
2034	1,540,000.00	1,064,412.50	2,604,412.50
2035	1,705,000.00	983,562.50	2,688,562.50
2036	1,880,000.00	894,050.00	2,774,050.00
2037	2,070,000.00	795,350.00	2,865,350.00
2038	2,270,000.00	686,675.00	2,956,675.00
2039	2,490,000.00	567,500.00	3,057,500.00
2040	2,710,000.00	443,000.00	3,153,000.00
2041	2,950,000.00	307,500.00	3,257,500.00
2042	3,200,000.00	160,000.00	3,360,000.00
Total	$35,000,000.00	$35,033,525.04	$70,033,525.04

[1] Interest payments on the Bonds will be made semiannually on March 1 and September 1 of each year, commencing March 1, 2014.

See "DISTRICT FINANCIAL INFORMATION – District Debt Structure – General Obligation Bonds" for a schedule of the combined debt service requirements for all of the District's outstanding general obligation bonds.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

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

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

Article XIIIA requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property, with certain exceptions. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds of all members of the State legislature to change any state taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIIIA

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

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

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

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization (the "SBE") as part of a "going concern" rather than as individual pieces of real or personal property. Such utilities may include railways, telephone companies and companies transmitting or selling gas or electricity. The assessed value of unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. 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 occurred under electric power deregulation in the State, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION" herein.

Article XIIIB of the California Constitution

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

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

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

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

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

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

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

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "– Propositions 98 and 111" herein.

Proposition 26

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

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The

Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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

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

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

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

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

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

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

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

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

Proposition 39

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

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

Jarvis v. Connell

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

Proposition 30

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

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

Proposition 1A and Proposition 22

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

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

State Cash Management Legislation

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals have been codified and are expected to be on-going. Legislation enacted with respect to fiscal year 2012-13 provided for additional inter-fiscal year deferrals.

On May 23, 2012, the Governor signed into law Assembly Bill 103 ("AB 103"), which extends certain provisions of SB 82 into fiscal year 2012-13. AB 103 authorized the deferral of State apportionments during fiscal year 2012-13, as follows: (i) $700 million from July 2012 to September 2012, (ii) $500 million from July 2012 to January 2013, (iii) $600 million from August 2012 to January 2013, (iv) $800 million from October 2012 to January 2013, and (v) $900 million from March 2013 to April 2013. Collectively, these deferrals are referred to herein as the "Cash Management Deferrals."

The State Department of Education was required to certify to school districts, county offices of education and charter schools, no later than five days after AB 103's adoption date, of the amounts and timing of payment deferrals for the 2012-13 fiscal year. AB 103 provided for an exemption to the Cash Management Deferrals for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District, however, has not applied for nor received an exemption from any of the Cash Management Deferrals.

The Cash Management Deferrals were fully implemented, and as a result, the State Controller, State Treasurer and State Director of Finance were required to review, as necessary but no less often than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's then most-recent revenue and expenditure projections. The Controller, Treasurer and Director of Finance were required to determine whether sufficient cash was available to pay the State apportionments being deferred while maintaining a prudent cash reserve, and in that instance such State apportionments were required to be paid as soon as feasible. AB 103 authorized the Cash Management Deferrals to be accelerated or delayed by up by one month, except that the March 2013 deferral was required to be paid no later than April 29, 2013.

Future Initiatives

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

State Budget

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

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

The 2012-13 Budget sought to close a budget gap of $15.7 billion through a combination of measures totaling $16.4 billion. Specifically, the 2012-13 Budget authorized $4.7 billion of expenditure reductions, $8.8 billion of net revenue increases, and $5.8 billion of other measures. The 2012-13 Budget assumed voter approval of a modified tax initiative proposed by the Governor in his May revision to the proposed State budget. The tax initiative, labeled as "Proposition 30," was approved by the voters at the

November 6, 2012 general election. The 2012-13 Budget estimated that Proposition 30 would generate approximately $8.5 billion in additional revenues for fiscal years 2011-12 and 2012-13. Pursuant to the provisions of Proposition 30, these additional revenues will be placed into an Education Protection Account and included in the calculation of the Proposition 98 minimum funding guarantee. As a result, the minimum funding guarantee was projected to increase by $2.9 billion, resulting in a net benefit to the State general fund of $5.6 billion. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 30."

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

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

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

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

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

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

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

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

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

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

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

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

2013-14 Budget. On June 27, 2013, the Governor signed into law the State budget for fiscal year 2013-14 (the "2013-14 Budget"). Except as otherwise noted, the following information is drawn from the State Department of Finance summary of the 2013-14 Budget. Additional information regarding the 2013-14 Budget is available from the State Department of Finance at www.dof.ca.gov, but such information is not incorporated herein by reference.

The 2013-14 Budget is based on revenue projections previously included in the Governor's May revision to the proposed budget. General fund revenues for fiscal year 2012-13 are projected to be $98.2 billion, while general fund expenditures are projected to be $95.7 billion. The 2013-14 Budget projects that the State will end the 2012-13 fiscal year with a $254 million general fund surplus. For fiscal year 2013-14, general fund revenues are projected at $97.1 billion and expenditures are projected at $96.3 billion, leaving the State with a projected general fund surplus for fiscal year 2013-14 of approximately $1.1 billion.

The 2013-14 Budget includes total funding of $70 billion ($39.6 billion general fund and $30.4 billion other funds) for all K-12 education programs. Proposition 98 funding increases to a total of $56.5 billion in 2012-13, an increase of $2.9 billion over the 2012 Budget Act. In 2013-14, the Proposition 98 guarantee is $55.3 billion. Proposition 98 funding for K-12 education is projected to grow by almost $20 billion from the 2011-12 fiscal year to the 2016-17 fiscal year, representing an increase of more than $2,800 per student.

The 2013-14 Budget contains a new school funding allocation system (the "Local Control Funding Formula"). The Local Control Funding Formula will replace revenue limit and most categorical program funding, and includes the following components:

- A base grant for each local education agency equivalent to $7,643 per unit of A.D.A. This amount includes an adjustment of 10.4% to the previously proposed base grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools.
- A 20% supplemental grant for English learners, students from low-income families, and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 22.5% of a local education agency's base grant, based on the number of English learners, students from low-income families, and foster youth served by the local agency that comprise more than 55% of enrollment.
- An Economic Recovery Target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the Local Control Funding Formula.

Of the more than $25 billion in new funding to be invested through the formula over the next eight years, the vast majority of new funding will be provided for base grants. Specifically, of every dollar invested through this formula, 84 cents will go to base grants, 10 cents will go to supplemental grants, and 6 cents will go to concentration grants. Under the 2013-14 Budget, the average base grant is $7,643, which is $2,375 more than the current average revenue limit.

Significant features of the 2013-14 Budget related to funding of K-12 education include:

- *Local Control Funding Formula* – An increase of $2.1 billion Proposition 98 general fund for school districts and charter schools, and $32 million Proposition 98 general fund for county offices of education, to support first-year funding provided through the Local Control Funding Formula.
- *Common Core Implementation* – An increase of $1.25 billion in one-time Proposition 98 general fund to support the implementation of the new Common Core standards for evaluating student achievement in English-language arts and math. Funding will be distributed to local education agencies on the basis of enrollment to support necessary investments in professional development, instructional materials, and technology. Local

education agencies will be required to develop a plan to spend this money over the next two years and hold a public hearing on the plan.

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

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

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

- *Adult Education.* The 2013-14 Budget includes $25 million of Proposition 98 funding for planning and implementation grants to support local coordination efforts of adult education providers. The funds are designed to assist school districts, community colleges and certain other adult education providers form partnerships to articulate curriculum, recognize regional needs and develop new ways of serving adult learners in their communities.

- *Proposition 39 Implementation* – The 2013-14 Budget allocates certain supplemental corporate tax revenues raised by Proposition 39 (approved at the November 2012 general election) to K-12 schools and community colleges. The 2013-14 Budget allocates $381 million Proposition 98 general fund to K-12 local education agencies to support energy efficiency projects approved by the California Energy Commission. Of this amount, 85% will be distributed based on A.D.A. and 15% will be distributed based on free and reduced-price meal eligibility. The 2013-14 Budget establishes minimum grant levels of $15,000 and $50,000 for small and exceptionally small local education agencies and allows these agencies to receive an advance on a future grant allocation. The 2013-14 Budget will provide other local education agencies the greater of $100,000 or their weighted distribution amount. The 2013-14 Budget also provides $28 million for interest-free revolving loans to assist eligible energy projects at schools and community colleges. Additionally, the 2013-14 Budget appropriates $3 million to the California Workforce Investment Board to develop and implement a competitive grant program for eligible workforce training organizations that prepare disadvantaged youth or veterans for employment in energy related fields.

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

- *Redevelopment* – The 2013-14 Budget anticipates Proposition 98 general fund savings resulting from the dissolution redevelopment agencies. For fiscal years 2012-13 and 2013-14, these savings are projected to be $2.1 billion and $1.5 billion, respectively. On an ongoing basis, the 2013-14 Budget estimates annual savings of $825 million.

For additional information regarding the State's budgets and revenue projections and a more detailed description of the 2013-14 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. The information presented in such websites is not incorporated herein by reference.

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

TAX BASE FOR REPAYMENT OF THE BONDS

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

Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches 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 a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer-Tax Collector.

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 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority 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 assessee.

Assessed Valuations

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

Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS." Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District had a total assessed valuation for fiscal year 2012-13 of $11,026,887,226. Shown in the following table are the assessed valuations for the District since 1986-87. The District's assessed valuation increased by 713.8% between fiscal year 1986-87 and fiscal year 2012-13, representing an approximate annual compound growth rate of 8.4%.

ASSESSED VALUATION
Fiscal Years 1986-87 to 2012-13
Perris Union High School District

Fiscal Year	Secured	Utility[1]	Unsecured	Total Assessed Valuation	Annual % Change
1986-87	$1,182,466,840	$147,872,260	$24,601,798	$1,354,940,898	--
1987-88	1,343,872,464	189,095,790	35,033,053	1,568,001,307	15.7%
1988-89	1,585,315,342	2,942,636	29,177,819	1,617,435,797	3.2
1989-90	1,956,548,777	2,305,654	34,737,481	1,993,591,912	23.3
1990-91	2,651,516,657	3,839,055	45,601,855	2,700,957,567	35.5
1991-92	3,087,770,644	3,873,431	69,436,717	3,161,080,792	17.0
1992-93	3,372,505,630	8,519,571	56,637,968	3,437,663,169	8.7
1993-94	3,492,180,699	8,861,011	56,817,546	3,557,859,256	3.5
1994-95	3,478,209,532	630,961	60,313,656	3,539,154,149	-0.5
1995-96	3,419,854,828	764,531	61,054,904	3,481,674,263	-1.6
1996-97	3,308,034,180	1,276,028	63,998,733	3,373,308,941	-3.1
1997-98	3,360,322,456	1,530,996	63,169,190	3,425,022,642	1.5
1998-99	3,310,227,382	1,627,152	64,356,862	3,376,211,396	-1.4
1999-00	3,392,375,501	2,571,131	61,862,429	3,456,809,061	2.4
2000-01	3,619,651,596	--	86,285,142	3,705,936,738	7.2
2001-02	3,944,827,039	--	134,308,141	4,079,135,180	10.1
2002-03	4,434,300,958	1,480,594	125,716,356	4,561,497,908	11.8
2003-04	5,088,665,652	1,228,881	103,270,476	5,193,165,009	13.8
2004-05	6,391,976,004	1,180,223	142,184,055	6,535,340,282	25.8
2005-06	8,243,542,907	1,160,065	156,426,241	8,401,129,213	28.5
2006-07	11,334,521,793	6,996,408	177,300,623	11,518,818,824	37.1
2007-08	13,524,748,395	246,949,439	189,562,117	13,961,259,951	21.2
2008-09	13,196,556,421	459,549,439	195,229,974	13,851,335,834	-0.8
2009-10	10,837,274,526	748,949,439	196,670,450	11,782,894,415	-14.9
2010-11	10,241,293,027	709,649,439	219,720,201	11,170,662,667	-5.2
2011-12	10,427,675,352	811,649,439	205,796,373	11,445,121,164	2.5
2012-13	10,201,916,776	577,544,771	247,425,679	11,026,887,226	-3.7

[1] Excludes assessed valuation from unitary utility roll, beginning in 1988-89.
Source: California Municipal Statistics, Inc.

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

Appeals and Reductions of Assessed Valuations

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

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

The District has not undertaken an analysis of current outstanding appeals or historic appeals by property owners or any extent of historic adjustments made by the County Assessor. No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

Assessed Valuation and Parcels by Land Use

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

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

	2012-13 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$186,499,885	1.73%	559	0.86%
Commercial/Industrial	1,041,797,113	9.66	853	1.31
Utilities/Power Plant	577,544,771	5.36	4	0.01
Vacant Commercial/Industrial	334,808,860	3.11	860	1.32
Vacant Unclassified	124,326,625	1.15	4,219	6.47
Subtotal Non-Residential	$2,264,977,254	21.01%	6,495	9.96%
Residential:				
Single Family Residence	$6,596,612,820	61.20%	38,351	58.83%
Condominium/Townhouse	99,435,403	0.92	1,169	1.79
Mobile Home/Lots	642,607,387	5.96	8,121	12.46
2-3 Residential Units	60,290,306	0.56	254	0.39
4+ Residential Units/Apartments	238,493,242	2.21	103	0.16
Miscellaneous Residential	8,156,718	0.08	80	0.12
Vacant Residential	868,888,417	8.06	10,614	16.28
Subtotal Residential	$8,514,484,293	78.99%	58,692	90.04%
Total	$10,779,461,547	100.00%	65,187	100.00%

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

Assessed Valuation Per Parcel of Single Family Homes

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

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

	No. of Parcels	2012-13 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	38,351	$6,596,612,820	$172,006	$167,000

2012-13 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	111	0.289%	0.289%	$2,028,443	0.031%	0.031%
$25,000 - $49,999	703	1.833	2.123	27,738,266	0.420	0.451
$50,000 - $74,999	1,609	4.195	6.318	102,527,324	1.554	2.005
$75,000 - $99,999	3,492	9.105	15.423	305,112,972	4.625	6.631
$100,000 - $124,999	4,190	10.925	26.349	471,821,618	7.152	13.783
$125,000 - $149,999	5,259	13.713	40.062	721,808,012	10.942	24.725
$150,000 - $174,999	5,399	14.078	54.139	873,951,800	13.248	37.974
$175,000 - $199,999	4,794	12.500	66.640	896,016,457	13.583	51.557
$200,000 - $224,999	4,429	11.549	78.188	932,856,431	14.141	65.698
$225,000 - $249,999	3,771	9.833	88.021	893,106,727	13.539	79.237
$250,000 - $274,999	2,080	5.424	93.445	540,566,779	8.195	87.432
$275,000 - $299,999	1,104	2.879	96.323	315,804,758	4.787	92.219
$300,000 - $324,999	502	1.309	97.632	154,975,952	2.349	94.568
$325,000 - $349,999	222	0.579	98.211	74,673,915	1.132	95.700
$350,000 - $374,999	225	0.587	98.798	81,229,022	1.231	96.932
$375,000 - $399,999	133	0.347	99.145	51,376,966	0.779	97.711
$400,000 - $424,999	128	0.334	99.479	52,770,863	0.800	98.511
$425,000 - $449,999	80	0.209	99.687	34,938,013	0.530	99.040
$450,000 - $474,999	37	0.096	99.784	17,119,336	0.260	99.300
$475,000 - $499,999	26	0.068	99.851	12,702,740	0.193	99.492
$500,000 and greater	57	0.149	100.000	33,486,426	0.508	100.000
Total	38,351	100.000%		$6,596,612,820	100.000%	

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

Assessed Valuation by Jurisdiction

The following table is an analysis of the District's assessed valuation by jurisdiction for fiscal year 2012-13.

ASSESSED VALUATION BY JURISDICTION(1)
Fiscal Year 2012-13
Perris Union High School District

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Lake Elsinore	$131,132,529	1.19%	$3,895,248,204	3.37%
City of Menifee	6,462,569,044	58.61	6,462,569,044	100.00
City of Murrieta	779,763,287	7.07	9,747,034,015	8.00
City of Perris	1,676,584,555	15.20	3,722,615,279	45.04
City of San Jacinto	2,843,740	0.03	2,053,305,448	0.14
City of Wildomar	27,526,499	0.25	2,208,120,488	1.25
Unincorporated Riverside County	1,946,467,572	17.65	30,935,523,827	6.29
Total District	$11,026,887,226	100.00%		
Total Riverside County	$11,026,887,226	100.00%	$201,661,935,424	5.47%

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

Taxation of State-Assessed Utility Property

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

Recent changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on their utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

Secured Tax Charges and Delinquencies

The following table shows the secured tax charges and delinquencies for taxes collected in the District by the County from fiscal year 2007-08 through fiscal year 2011-12 with respect to the tax levy within the District for general obligation bonds.

SECURED TAX CHARGES AND DELINQUENCY RATES
Fiscal Years 2007-08 through 2011-12
Perris Union High School District

General Obligation Bond Debt Service Levy

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent June 30	Percent Delinquent June 30
2007-08	$2,857,936.31	$312,234.87	10.93%
2008-09	2,725,561.02	235,719.58	8.65
2009-10	3,054,118.75	178,635.10	5.85
2010-11	3,340,959.32	128,956.09	3.86
2011-12	3,725,860.48	150,849.30	4.05

(1) District's general obligation bond debt service levy.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment

With respect to collection of property taxes, the County has adopted the Teeter Plan, which is an alternate method of tax apportionment authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the "Law") for distribution of certain property tax and assessment levies on the secured roll. Pursuant to the Law, the County adopted the Teeter Plan. The Teeter Plan provides for a tax distribution procedure in which secured roll taxes and assessments are distributed to participating County taxing agencies on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95% of the total prior years delinquent secured property taxes and assessments (not including penalties and interest) and 100% of the current year's delinquent secured property taxes and assessments outstanding. Supplemental taxes are currently excluded from the Teeter Plan.

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses which may occur as a result of sale of tax-defaulted property. Once the tax losses reserve fund reaches a level of 3% of the total of all taxes and assessments levied on the secured roll for that year, 1% of the total of all taxes and assessments levied on the secured roll for that year, and any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund. Upon adoption of a resolution by the Board of Supervisors of the County by August 1 of any fiscal year, the 10% tax losses reserve fund threshold may be reduced to 25% of the total delinquent taxes and assessments for the previous year. The County did not elect to fund the tax losses reserve fund at a required threshold initially, thereby requiring penalties and interest to be credited first to the tax losses reserve fund to meet its required threshold before allowing any additional penalties and interest to be credited to the County General Fund. The tax loss reserve fund is now fully funded and amounts in excess of the required minimum may be transferred to the County General Fund in the future.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent fiscal years the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County may by resolution adopted not later than July 15 of any subsequent fiscal year after a public hearing, discontinue the Teeter Plan as to any levying or assessment levying agency 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 rolls for the agency.

Tax Rates

The three largest tax rate areas located within the District in terms of assessed valuation, Tax Rate Area 26-232, Tax Rate Area 26-70, and Tax Rate Area 26-20, account for approximately 5.5%, 3.1%, and 2.9%, respectively, of the District's total assessed valuation in fiscal year 2012-13. The tables below summarize the total *ad valorem* tax rates levied by all taxing entities in these three tax rate areas during the five-year period from 2008-09 to 2012-13.

SUMMARY OF *AD VALOREM* TAX RATES
$1 Per $100 Of Assessed Valuation
Perris Union High School District

Tax Rate Area 26-232

	2008-09	2009-10	2010-11	2011-12	2012-13
General	$1.00000	$1.00000	$1.00000	$1.00000	$1.00000
Perris Union High School District	.02031	.02686	.03126	.03429	.03429
Metropolitan Water District	.00430	.00430	.00370	.00370	.00350
Total	$1.02461	$1.03116	$1.03496	$1.03799	$1.03779

Tax Rate Area 26-70

	2008-09	2009-10	2010-11	2011-12	2012-13
General	$1.00000	$1.00000	$1.00000	$1.00000	$1.00000
Menifee Union School District	.02370	.03254	.03436	.03486	.03543
Perris Union High School District	.02031	.02686	.03126	.03429	.03429
Metropolitan Water District	.00430	.00430	.00370	.00370	.00350
Total	$1.04831	$1.06370	$1.06932	$1.07285	$1.07322

Tax Rate Area 26-20

	2008-09	2009-10	2010-11	2011-12	2012-13
General	$1.00000	$1.00000	$1.00000	$1.00000	$1.00000
Menifee Union School District	.02370	.03254	.03436	.03486	.03543
Perris Union High School District	.02031	.02686	.03126	.03429	.03429
Metropolitan Water District	.00430	.00430	.00370	.00370	.00350
Eastern Municipal Water District I.D. No. U-2	.00800	.01000	.01000	.01000	.01000
Total	$1.05631	$1.07370	$1.07932	$1.08285	$1.08322

Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20 largest property taxpayers in the District as determined by secured assessed valuation in fiscal year 2012-13.

LARGEST 2012-13 LOCAL SECURED PROPERTY TAXPAYERS
Perris Union High School District

	Property Owner	Primary Land Use	2012-13 Assessed Valuation	Total [1]
1.	Inland Empire Energy Center	Power Plant	$577,500,000	5.36%
2.	Health Care REIT	Medical Facilities	178,572,635	1.66
3.	Donahue Schriber Realty Group	Commercial	63,156,937	0.59
4.	Stark Menifee Land	Rural/Undeveloped	53,597,608	0.50
5.	FR Cal Goetz Road	Commercial	49,065,007	0.46
6.	KB Home Coastal Inc.	Residential Development	45,942,656	0.43
7.	Carrington Place Ltd.	Apartments	40,000,000	0.37
8.	Physicians Hospital of Rancho California	Medical Facilities	37,905,430	0.35
9.	Fairfield Holland Road	Apartments	36,062,796	0.33
10.	Beazer Homes Holding Corp.	Residential Development	35,690,185	0.33
11.	Amway Corp.	Industrial	33,580,357	0.31
12.	Physicians Hospital of Murrieta	Medical Facilities	32,037,800	0.30
13.	Spanos Corp.	Apartments	30,855,140	0.29
14.	FR Cal Ellis	Commercial	30,056,000	0.28
15.	PHH Real Estate	Commercial	28,672,012	0.27
16.	Centex Homes	Residential Development	28,487,182	0.26
17.	Coudures Family LP	Commercial	27,060,658	0.25
18.	Nuevo Dev Co.	Rural/Undeveloped	26,036,844	0.24
19.	Wal Mart Stores Inc.	Commercial	25,301,157	0.23
20.	Fairfield Winchester 1800	Apartments	24,748,872	0.23
			$1,404,329,276	13.03%

[1] 2012-13 local secured assessed valuation: $10,201,916,776.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report regarding the District (a "Debt Report") prepared by California Municipal Statistics, Inc. and effective May 1, 2013, for debt issued as of April 25, 2013. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. The contents of the Debt Report is as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in column 2.

The table below includes obligations associated with two community facility districts established within the District in an aggregate outstanding principal amount of $41,760,000. In each case, the obligations are secured by special taxes levied against the land within the respective community facilities districts to pay for certain improvements.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Perris Union High School District

2012-13 Assessed Valuation: $11,026,887,226

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/13	
Riverside County Flood Control District Zone Nos. 3 and 4 Benefit Assessment Districts	0.099%	$2,034	
Metropolitan Water District	0.521	860,093	
Eastern Municipal Water District Improvement Districts	0.055-100.	23,057,558	
Perris Union High School District	**100.000**	**51,087,260**	(1)
Menifee Union School District	100.000	45,253,922	
Menifee Union School District Community Facilities Districts	100.000	80,485,000	
Nuview School District	100.000	3,860,000	
Perris School District	100.000	7,244,571	
Perris School District Community Facilities District No. 2002-1	100.000	1,660,000	
Perris Union High School District Community Facilities District Nos. 91-1 and 92-1	100.000	41,760,000	
Romoland School District Community Facilities Districts	100.000	82,230,000	
City of Lake Elsinore Community Facilities Districts	38.203-100.	20,421,330	
City of Murrieta Community Facilities Districts	100.000	24,580,000	
City of Perris Community Facilities Districts	19.735-100.	54,895,168	
Riverside County Community Facilities Districts	7.275-100.	25,537,433	
Other Special District Community Facilities Districts	100.000	42,030,000	
City and Special District 1915 Act Bonds (Estimated)	Various	13,348,675	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$518,313,044	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	5.468%	$35,245,361	
Riverside County Pension Obligations	5.468	18,962,477	
Riverside County Board of Education Certificates of Participation	5.468	213,252	
Mt. San Jacinto Community College District General Fund Obligations	17.448	2,071,950	
Perris Union High School District Certificates of Participation	**100.000**	**9,612,433**	(2)
Menifee Union School District Certificates of Participation	100.000	5,605,000	
Nuview Union School District Certificates of Participation	100.000	240,000	
Perris School District Certificates of Participation	100.000	8,225,000	
City of Lake Elsinore General Fund Obligations	3.366	422,938	
City of Murrieta General Fund Obligations	8.000	922,800	
Valley-Wide Recreation and Park District Certificates of Participation	18.144	29,030	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$81,550,241	
Less: Riverside County supported obligations		637,444	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$80,912,797	
OVERLAPPING TAX INCREMENT DEBT:		$111,670,841	
GROSS COMBINED TOTAL DEBT		$711,534,126	(3)
NET COMBINED TOTAL DEBT		$710,896,682	

(1) Excludes the Bonds described herein.
(2) Excludes Qualified Zone Academy Bonds (QZABs) which are secured by funds on deposit with trustee. See Note 8 to the fiscal year 2011-12 audited financial statements of the District included in Appendix A hereto.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2012-13 Assessed Valuation:
Direct Debt ($51,087,260) 0.46%
Total Overlapping Tax and Assessment Debt 4.70%
Combined Direct Debt ($60,699,693)...0.55%
Gross Combined Total Debt...6.45%
Net Combined Total Debt 6.45%

Ratios to Redevelopment Incremental Valuation ($1,467,777,823):
Total Overlapping Tax Increment Debt..7.61%

Source: California Municipal Statistics, Inc.

THE DISTRICT

Introduction

The District was incorporated on August 23, 1897, and covers approximately 182 square miles in the northwestern part of the County just south of the City of Riverside. A majority of the City of Perris, all of the City of Menifee, and all of the unincorporated communities of Sun City, Lakeview, Nuevo, Romoland and Homeland are situated within the District's boundaries. The City of Perris is located 18 miles south of the City of Riverside, 75 miles northeast of the City of San Diego and 70 miles east of the City of Los Angeles.

The District currently operates one middle school, three comprehensive high schools, one continuation high school, one community day-school, one on-line grades 9-12 charter school, and one grades 5-12 military institute charter school. The District provides education for grades 7-12 for students generated by the Perris Elementary School District and grades 9-12 for students generated by the Menifee Union School District, the Nuview Union School District and the Romoland School District. The District additionally operates an independent study program and an adult education program.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124, Attention: Superintendent. The District may impose a charge for copying, mailing and handling.

Administration

The governing board of the District (the "Board") consists of five elected members. Members are elected at-large to serve staggered four-year terms. Elections for positions to the Board are held every two years, alternating between two and three available positions. A president is elected by members of the Board each year. The day-to-day affairs of the District are the responsibility of the Superintendent. Current members of the Board, together with their offices and the dates their current terms expire, are listed below.

BOARD OF TRUSTEES
Perris Union High School District

Name	Office	Current Term Expires
William F. Hulstrom	President	December, 2014
Joan D. Cooley	Vice President	December, 2016
Carolyn A. Twyman	Clerk	December, 2014
Edward Agundez	Member	December, 2016
David G. Nelissen	Member	December, 2016

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Brief biographies of the Superintendent and the Assistant Superintendent, Business Services of the District are listed below:

Jonathan L. Greenberg, Ed.D., Superintendent. Dr. Greenberg has served as Superintendent of the District since April 2007. Prior to joining the District, he served as Deputy Superintendent of the Hemet Unified School District for 3.5 years. This is Dr. Greenberg's 37th year in public education. Dr. Greenberg earned his Bachelor's Degree and received his teaching credential from U.C.L.A. in 1977. In

1981, he earned his Master's in Education from the University of La Verne. In 1996, he received his doctorate in Education Leadership from the University of La Verne.

Candace Reines, Assistant Superintendent, Business Services. Ms. Reines has served the District since 2006. Prior to her current position, she served for two years as the Director of Fiscal Services for the District. She has worked in the field of school business for 13 years. Ms. Reines holds a Bachelor of Science in Organizational Leadership and a Master of Arts in Leadership and Organizational Studies, both from Azusa Pacific University. Ms. Reines is licensed through the California Association of School Business Officials and is a Certified Chief Business Official.

Proposed Unification Involving Menifee Union School District

The Menifee Union School District ("MUSD"), an elementary school district located within the boundaries of the District, has filed a petition to form a unified school district (the "Menifee Petition"). The District has entered into a written agreement with MUSD, pursuant to which the District and the MUSD (collectively, the "School Districts") set forth certain terms and conditions pursuant to which the School Districts agree to pursue unification of MUSD in accordance with the provisions of the Education Code of the State. As contemplated, the unification of MUSD would result in (i) the transfer of certain high school facilities of the District to MUSD, (ii) the assumption by MUSD of certain financial obligations, which may include financial obligations relating to existing school facilities in the unification area, as determined pursuant to the unification process, and (iii) the transfer to MUSD of the responsibility to provide high school level instruction to students within MUSD.

In May 2008, the Riverside County Committee on School District Organization determined that certain conditions for unification set forth in the Education Code were not met, and subsequently recommended to the State Board of Education that the Menifee Petition be denied. In August 2009, the School Districts requested that the Menifee Petition be held in abeyance and not acted upon by the State Board of Education until requested by the School Districts. The School Districts continue to monitor criteria for meeting conditions for unification and may determine to request that the State Board of Education consider the Menifee Petition at a later date.

No assurance can be given as to whether or when the proposed unification proceedings might be completed.

Enrollment Trends

The following table shows the enrollment history for the District.

ANNUAL ENROLLMENT
Fiscal Years 2005-06 Through 2012-13
Perris Union High School District

Year	Enrollment[1]	Annual Change	Annual % Change
2005-06	8,152	--	--
2006-07	8,811	659	8.1%
2007-08	9,289	478	5.4
2008-09	9,542	253	2.7
2009-10	9,650	108	1.1
2010-11	9,649	-1	0.0
2011-12	9,639	-10	-0.1
2012-13	9,522	-117	-1.2

[1] Does not include charter school enrollment.
Source: The District.

Labor Relations

As of January 1, 2013, the District employed 419 certificated employees and 361 classified employees. These employees, except management, confidential and other non-represented employees are represented by two bargaining units as noted below:

LABOR BARGAINING UNITS
Perris Union High School District

Labor Organization	Number of Employees In Organization	Contract Expiration Date
Perris Teachers' Association	388	June 30, 2013[1]
California School Employees Association	327	June 30, 2013[1]

[1] Contracts under negotiation. Employees are expected to continue to work under the terms of the expired contracts.
Source: The District.

District Retirement Systems

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

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

The District's contribution to STRS was $3,205,162 for fiscal year 2009-10, $3,159,611 for fiscal year 2010-11, and $2,887,236 for fiscal year 2011-12. The District estimates $2,677,798 as its contribution to STRS for fiscal year 2012-13.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provision are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.417% of eligible salary expenditures for fiscal year 2012-13, while participants contribute 7% of their respective salaries.

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

The District's contribution to PERS was $1,908,544 for fiscal year 2009-10, $2,111,961 for fiscal year 2010-11, and $2,092,825 for fiscal year 2011-12. The District estimates $1,908,060 as its contribution to PERS for fiscal year 2012-13.

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

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

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions) [1]

Plan	Accrued Liability	Value of Trust Assets	Unfunded Liability
Public Employees Retirement Fund (PERS)	$58,358	$45,901[2]	($12,457)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	215,189	144,232[3]	(70,957)

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets as of June 30, 2011.
(3) Reflects actuarial value of assets as of June 30, 2012.
Source: CalPERS State & Schools Actuarial Valuation; CalSTRS Defined Benefit Program Actuarial Valuation.

On April 17, 2013, the PERS board of administration (the "PERS Board") approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year amortization period for gains and losses and a five-year ramp-up of rates at the start and a five year ramp-down of rates at the end. The PERS Board delayed the implementation of the new policies until fiscal year 2015-16 for the State, schools and all other public agencies.

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employee's Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary; (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for STRS members who retire with 25 years of service); and (iii) caps "pensionable compensation" for new participants enrolled after the

Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

Post-Employment Benefits

The District offers post-employment medical and dental insurance benefits to eligible employees through a single-employer defined benefit healthcare plan administered by the District (the "Plan"). The full cost of the Plan is borne by the retiree. The District also provides these benefits to certain former Board members whose first service commenced prior to January 1, 1995, the cost of which is borne by the District. As of June 30, 2012, four former board members are receiving benefits under this Plan. No others are eligible.

As of June 30, 2012, the District had no net obligation in respect of such post-employment benefits. See Note 10 to the fiscal year 2011-12 audited financial statements of the District included in Appendix A hereto.

Supplemental Employee Retirement Plan

The District offered a supplemental employee retirement plan ("SERP") in 2011 and 2012, whereby certain eligible certificated non-management employees and certain certificated/classified management employees were provided an early retirement incentive. As of June 30, 2012, the balance of the obligation associated with the SERP was $2,485,869. Future payments from the District as at June 30, 2012 are as follows:

Year Ending June 30	Total
2013	$754,869
2014	754,869
2015	754,869
2016	110,631
2017	110,631
Total	$2,485,869

Joint Powers Authorities

The District participates in joint ventures under joint powers agreements with the Riverside Schools Risk Management Authority (the "RSRMA"), the Riverside Employer/Employee Partnership (the "REEP"), and the Riverside Schools' Insurance Authority (the "RSIA") (together, the "JPAs"). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. The RSRMA is a workers' compensation coverage purchasing pool. The REEP is a shared risk pool that provides employee health benefits. The RSIA provides property and liability coverage. The JPAs are governed by independent boards consisting of representatives from each member district. The respective boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the respective boards.

During the year ended June 30, 2012, the District made payments of $1,233,117, $6,549,324, and $444,919, to RSRMA, REEP, and RSIA, respectively.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of ad valorem *taxes required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment."*

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 Governmental Accounting Standards Board ("GASB") has released Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements became effective on June 15, 2002, for the District, as well as for any other governmental agency with annual revenues of between $10 million and $100 million.

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 fiscal year for the District begins on July 1 and ends on June 30.

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements of the District for the fiscal year ended June 30, 2012, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124, telephone: (951) 943-6369. The audited financial statements of the District for the year ended June 30, 2012 are included in Appendix A hereto.

Comparative Financial Statements

The following table reflects the District's general fund revenues, expenditures and fund balances from fiscal year 2007-08 to fiscal year 2011-12.

AUDITED FINANCIAL STATEMENTS
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund – Fiscal Years 2007-08 through 2011-12[(1)]
Perris Union High School District

	2007-08	2008-09	2009-10	2010-11	2011-12
REVENUES					
Revenue limit sources	$57,375,088	$57,952,716	$52,814,470	$55,002,572	$54,695,987
Federal revenue	3,146,820	7,622,723	6,236,442	6,099,328	4,998,559
Other State sources	10,078,130	7,515,302	10,769,202	9,779,795	10,995,164
Other Local sources	6,218,050	7,491,438	5,752,100	5,301,991	6,040,932
Total Revenues	76,818,088	80,582,179	75,572,214	76,183,686	76,730,642
EXPENDITURES					
Current					
Instruction	42,928,883	43,934,649	44,232,153	44,415,050	42,756,130
Instruction-related activities:					
Supervision of instruction	2,555,421	2,360,642	2,348,317	2,159,391	1,858,452
Instructional library, media and technology	631,241	658,308	575,124	635,154	517,207
School site administration	6,961,624	6,973,950	6,996,067	6,915,961	6,552,242
Pupil Services:					
Home-to-school transportation	9,276,059	3,918,687	3,834,923	3,702,898	3,505,188
Food services	--	--	--	--	6,571
All other pupil services	4,380,139	4,547,884	4,537,159	4,662,387	4,351,504
Administration:					
Data processing	1,086,553	1,089,488	1,301,045	1,054,759	1,220,937
All other administration	4,268,682	4,494,736	4,625,323	4,045,386	3,938,282
Plant services	9,102,921	9,072,518	8,812,285	9,644,466	9,072,148
Facility acquisition and construction	350,551	212,131	271,312	761,994	5,090,616
Ancillary services	1,707,981	1,741,032	1,631,345	1,385,450	1,443,505
Community services	1,474	1,723	1,144	780	711
Other outgo	12,229	9,811	7,271	13,219	--
Debt service:					
Principal	--	619,647	447,884	464,456	481,641
Interest and other	--	--	173,234	156,663	195,581
Total Expenditures	83,263,758	79,635,206	79,794,586	80,018,014	80,990,715
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,445,670)	946,973	(4,222,372)	(3,834,328)	(4,260,073)
Other Financing Sources (Uses):					
Transfers in	137,961	98,241	--	5,368,947	1,066
Other sources	5,238,519	505,631	--	--	--
Transfers out	(427,239)	(712,519)	--	--	--
Other uses	--	--	--	--	--
Net Financing Sources (Uses)	4,949,241	(108,647)	--	5,368,947	1,066
NET CHANGE IN FUND BALANCES	(1,496,429)	838,326	(4,222,372)	1,534,619	(4,259,007)
Fund Balance – Beginning	16,067,770	14,571,341	15,409,667	11,187,295	12,721,914
Fund Balances – Ending	$14,571,341	$15,409,667	$11,187,295	$12,721,914	$8,462,907

(1) For projected general fund revenues, expenditures and changes in fund balance for fiscal year 2012-13, see " – General Fund Budgets" below.

Source: The District.

Budget Process

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

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

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

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

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

The District has never had an adopted budget disapproved by the county superintendent of schools, and has never received a "negative" certification of an Interim Report pursuant to AB 1200. The District has received "qualified" certifications of its interim reports since its fiscal year 2010-11 Second Interim Report.

General Fund Budgets

The District's general fund budgets for the fiscal years ending June 30, 2011, through June 30, 2014, and actual results for the fiscal years ending June 30, 2011, through June 30, 2013, are set forth in the following table.

GENERAL FUND BUDGET AND ACTUAL RESULTS
FISCAL YEARS ENDING JUNE 30, 2010 THROUGH JUNE 30, 2014
Perris Union High School District

	2010-11 Budget(1)	2010-11 Actual(1)	2011-12 Budget(1)	2011-12 Actual(1)	2012-13 Budget(2)	2012-13 Estimated Actual(3)	2013-14 Budget(3)
REVENUES							
Revenue limit sources	$53,455,178	$55,002,572	$52,057,204	$54,695,987	$50,969,724	$54,917,641	$56,801,245
Federal revenue	4,669,015	6,099,328	4,492,060	4,998,559	4,411,858	6,736,489	5,874,344
Other State sources	7,531,520	9,779,795	7,809,242	10,995,164	8,692,732	9,622,771	9,565,172
Other Local sources	4,545,356	5,301,991	4,911,854	6,040,932	5,032,536	5,154,546	4,764,397
Total Revenues	70,201,069	76,183,686	69,270,360	76,730,642	69,106,850	76,431,447	77,005,158
EXPENDITURES							
Current							
Certificated salaries	36,491,793	35,820,487	32,230,168	32,602,461	32,042,543	32,520,039	34,739,938
Classified salaries	11,596,406	11,952,598	11,307,932	11,774,727	11,099,457	11,195,517	11,412,259
Employee benefits	14,573,287	15,931,387	15,070,643	17,251,200	14,718,100	14,801,997	15,673,864
Books and supplies	2,985,876	3,619,942	2,206,228	2,091,356	3,537,838	5,035,253	4,333,733
Services and operating expenditures	12,258,277	11,687,843	12,095,097	11,964,376	10,587,523	12,573,359	12,029,627
Capital Outlay	3,679,103	844,604	4,994,657	5,209,789	1,335,250	1,414,609	450,000
Other Outgo	(351,608)	(459,966)	(508,032)	(524,313)	628,018	628,018	628,018
Transfers of Indirect Costs	--	--	--	--	(564,728)	(550,631)	(550,367)
Debt Service							
Principal	464,456	464,456	156,663	481,641	--	--	--
Interest	156,663	156,663	464,456	139,478	--	--	--
Total Expenditures	81,854,253	80,018,014	78,017,812	80,990,715	73,384,001	77,618,161	78,717,072
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,653,184)	(3,834,328)	(8,747,452)	(4,260,073)	(4,277,151)	(1,186,714)	(1,711,914)
Other Financing Sources (Uses):							
Transfers in	4,900,000	5,368,947	--	1,066	--	--	--
Net Financing Sources (Uses)	4,900,000	5,368,947	--	1,066	--	--	--
NET CHANGE IN FUND BALANCES	(6,753,184)	1,534,619	(8,747,452)	(4,259,007)	(4,277,151)	(1,186,714)	(1,711,914)
Fund Balance – Beginning	11,187,295	11,187,295	12,721,914	12,721,914	8,462,907	8,462,908	7,276,194
Fund Balances – Ending	$4,434,111	$12,721,914	$3,974,462	$8,462,907	$4,185,756	$7,276,194	$5,564,280

(1) Original budgeted amounts and actual amounts from District audited financial reports.
(2) Fiscal year 2012-13 adopted budget.
(3) From fiscal year 2013-14 adopted budget.
Source: The District.

Revenue Limit Funding

A majority of the funding that California schools have received in recent years has been determined by the state revenue limit formula. This formula is based on an amount of support per pupil, which is subject increase each year by a legislatively determined cost of living adjustment. The per pupil amount is multiplied by a district's A.D.A. to determine the total revenue limit. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education." The revenue limit calculations have been adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Each district receives a portion of the local property taxes that are collected within the district boundaries. This amount is compared to the total revenue limit; the balance is received in the form of State aid. Therefore, the sum of the property taxes and State aid equals the district's revenue limit. The more local property taxes a district receives, the less State aid it is entitled to receive. Ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. Such districts are known as "basic aid districts." Districts that receive some State aid are commonly referred to as "revenue limit districts." The District is a revenue limit district.

In connection with the State's budget for fiscal year 2013-14, a new funding method for K-12 schools will be implemented, which will consolidate revenue limits and almost all categorical programs into a single funding formula. Under this new procedure, local education agencies will receive (i) a base grant amount per unit of A.D.A., (ii) a supplemental grant for English learners, students from low-income families, and foster youths, (iii) an additional concentration grant based on the number of English learners, students from low-income families, and foster youths that exceeds 55% of enrollment, and (iv) an economic recovery component to transition local educational agencies, at full implementation of the plan, to a level of funding at or above pre-recession funding. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget – 2013-14 Budget."

State Funding of Education

Most California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts, such as the District. Annual State apportionments of basic and equalization aid to school districts have been computed based on a revenue limit per unit of average daily attendance ("A.D.A.").

The following table shows the A.D.A. and the District's deficited revenue limit per A.D.A. for the last five years, as well as projected figures for the current fiscal year.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2007-08 to 2012-13
Perris Union High School District

Fiscal Year	Average Daily Attendance[1]	Annual Change in A.D.A.	Deficited Revenue Limit Per A.D.A.[2]
2007-08	8,632	--	$6,652
2008-09	9,045	413	6,479
2009-10	9,143	98	5,985
2010-11	9,132	(11)	6,068
2011-12	9,079	(53)	6,004
2012-13[3]	8,927	(152)	6,069

Note: All amounts are rounded to the nearest whole number.

(1) Average daily attendance for the second period of attendance, typically in mid-April of each school year.

(2) Deficit revenue limit funding, if provided for in State budget legislation, reduces the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for a given fiscal year, and results 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, which reduced the amount of revenue limit funds received by school districts, was eliminated effective in fiscal year 2000-01, reinstated beginning in fiscal year 2003-04, eliminated again effective in fiscal year 2006-07, and reinstated again in fiscal year 2008-09.

(3) Estimated.

Source: The District.

See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget – 2013-14 Budget" for information regarding the Local Control Funding Formula and related changes to K-12 school funding in the State.

Revenue Sources

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying the A.D.A. for such district by a base revenue limit per unit of A.D.A. The revenue limit calculations have been adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

The District's revenue limit sources constituted approximately 72.2% of general fund revenues in fiscal year 2010-11, 71.3% of such revenues in fiscal year 2011-12, are estimated to equal approximately 71.9% of such revenues in fiscal year 2012-13, and are budgeted to equal approximately 73.8% of such revenues in fiscal year 2013-14.

Federal Revenues. The federal government provides funding for several of the District's programs, including special education programs and specialized programs such as the No Child Left Behind Act. The District's federal revenues, most of which are restricted, constituted approximately 8.0% of general fund revenues in fiscal year 2010-11, 6.5% of such revenues in fiscal year 2011-12, are estimated to equal approximately 8.8% of such revenues in fiscal year 2012-13, and are budgeted to equal approximately 7.6% of such revenues in fiscal year 2013-14.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues. These other State revenues are primarily restricted revenues funding items such as the Class Size Reduction Program, Economic Impact Aid, and home-to-school transportation, among others. The District's other State revenues constituted approximately 12.8% of general fund revenues in fiscal year 2010-11, 14.3% of such revenues in fiscal year 2011-12, are estimated to equal approximately 12.6% of such revenues in fiscal year 2012-13, and are budgeted to equal approximately 12.4% of such revenues in fiscal year 2013-14.

State Lottery. In the November 1984 general election, the voters of the State approved a constitutional amendment establishing a State lottery (the "State Lottery"), the net revenues of which are used to supplement money allocated to public education. This amendment stipulated that the funds derived from the State Lottery be used for the education of students and prohibited their use for noninstructional purposes, such as the acquisition of real property, the construction of facilities or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in State Lottery revenues over 1997-98 levels must be restricted to use on instructional material. State Lottery net revenues - gross revenues less prizes and administration expenses - are allocated by computing an amount per A.D.A., which is derived by dividing the total net revenues figures by the total A.D.A. for grades K-12, community colleges, the University of California system and other participating educational institutions. Each district receives an amount equal to its total A.D.A. multiplied by the per A.D.A. figure. Allocations to the District are estimated to be approximately 2.1% of general fund revenues in fiscal year 2012-13 and are budgeted to be 1.9% of such revenues in fiscal year 2013-14.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, interagency services, and other local sources. The District's local revenues constituted approximately 7.0% of general fund revenues in fiscal year 2010-11, 7.9% of such revenues in fiscal year 2011-12, are estimated to equal approximately 6.7% of such revenues in fiscal year 2012-13, and are budgeted to equal approximately 6.2% of such revenues in fiscal year 2013-14.

Dissolution of Redevelopment Agencies

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

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

The District can make no representations as to the extent to which its revenue limit apportionments may be offset by the future receipt of pass-through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

District Debt Structure

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
General Obligation Bonds	$62,128,878	$1,434,035	$1,685,000	$61,877,913
Certificates of Participation	26,725,000	--	18,755,000	7,970,000
Qualified School Construction Bonds	--	2,100,000	57,769	2,042,231
QZAB Lease Purchase Agreement(1)	5,000,000	--	--	5,000,000
Capital Leases	3,769,669	--	481,641	3,288,028
Compensated Absences	353,992	--	24,185	329,807
SERP(2)	3,221,190	553,155	1,288,476	2,485,869
OPEB Obligation(3)	--	50,841	50,841	--
Totals(4)	$101,198,729	$4,138,031	$22,342,912	$82,993,848

(1) Secured by funds on deposit with trustee. See Note 8 to the fiscal year 2011-12 audited financial statements of the District included in Appendix A hereto.
(2) See "THE DISTRICT – Supplemental Employee Retirement Plan."
(3) See "THE DISTRICT – Post-Employment Benefits."
(4) Does not include bonds of community facilities districts of the District. Such debt service is paid from the proceeds of special taxes levied against land within the respective community facilities districts. See "TAX BASE FOR REPAYMENT OF THE BONDS – Statement of Direct and Overlapping Debt."
Source: The District.

General Obligation Bonds. The District received authorization at an election held on November 2, 1999, by eligible voters within the District, to issue not to exceed $16,000,000 of general obligation bonds (the "1999 Authorization"). On May 25, 2000, the District issued an aggregate principal amount of $8,313,075.35 of its General Obligation Bonds, 1999 Election, Series A (the "1999 Election, Series A Bonds") pursuant to the 1999 Authorization. On November 19, 2002, the District issued an aggregate principal amount of $7,686,806.70 of its General Obligation Bonds, 1999 Election, Series B (the "1999 Election, Series B Bonds") pursuant to the 1999 Authorization. Approximately $117.95 remains available under the 1999 Authorization.

The District received authorization at an election held on November 2, 2004, by eligible voters within the District, to issue not to exceed $46,000,000 of general obligation bonds (the "2004 Authorization"). On March 29, 2005, the District issued (i) an aggregate principal amount of $38,764,557.85 of its General Obligation Bonds, 2004 Election, Series A (the "2004 Election, Series A Bonds") pursuant to the 2004 Authorization and (ii) an aggregate principal amount of $7,805,000.00 of its 2005 General Obligation Refunding Bonds (the "2005 Refunding Bonds") the proceeds of which were used to refund certain maturities of each of the 1999 Election, Series A Bonds and the 1999 Election, Series B Bonds. On April 27, 2006, the District issued an aggregate principal amount of $7,232,820 of its General Obligation Bonds, 2004 Election, Series B (the "2004 Election, Series B Bonds") pursuant to the 2004 Authorization. Approximately $2,622.15 remains available under the 2004 Authorization.

The table below presents the annual debt service requirements on all of the District's outstanding general obligation bonded debt, including the Bonds.

Year Ending (September 1)	1999 Election Series A[(1)]	1999 Election Series B	2004 Election Series A[(2)]	2005 Refunding	2004 Election Series B	2012 Election Series A	Total Annual Debt Service
2013	--	--	$2,213,244	$1,193,700	$619,600	--	$4,026,544
2014	--	$540,000	2,336,431	708,900	649,000	$3,394,200	7,628,531
2015	$750,000	565,000	2,474,669	--	667,250	3,120,469	7,577,388
2016	785,000	595,000	2,613,069	--	698,500	3,181,669	7,873,238
2017	825,000	620,000	2,762,069	--	737,000	1,528,069	6,472,138
2018	865,000	655,000	2,920,569	--	763,200	1,563,069	6,766,838
2019	910,000	685,000	3,092,569	--	797,400	1,611,669	7,096,638
2020	955,000	720,000	3,269,969	--	834,200	1,663,269	7,442,438
2021	1,005,000	750,000	3,455,250	--	868,400	1,717,669	7,796,319
2022	1,055,000	790,000	3,652,750	--	1,000,000	1,774,669	8,272,419
2023	1,105,000	830,000	3,864,250	--	--	1,829,069	7,628,319
2024	1,160,000	870,000	4,088,250	--	--	1,892,569	8,010,819
2025	1,000,000	1,130,000	4,323,250	--	--	1,952,069	8,405,319
2026	--	2,235,000	4,572,750	--	--	2,017,469	8,825,219
2027	--	2,345,000	4,835,000	--	--	2,083,750	9,263,750
2028	--	--	5,115,000	--	--	2,150,488	7,265,488
2029	--	--	5,410,000	--	--	2,217,488	7,627,488
2030	--	--	2,700,000	--	--	2,289,238	4,989,238
2031	--	--	--	--	--	2,365,238	2,365,238
2032	--	--	--	--	--	2,442,225	2,442,225
2033	--	--	--	--	--	2,522,125	2,522,125
2034	--	--	--	--	--	2,604,413	2,604,413
2035	--	--	--	--	--	2,688,563	2,688,563
2036	--	--	--	--	--	2,774,050	2,774,050
2037	--	--	--	--	--	2,865,350	2,865,350
2038	--	--	--	--	--	2,956,675	2,956,675
2039	--	--	--	--	--	3,057,500	3,057,500
2040	--	--	--	--	--	3,153,000	3,153,000
2041	--	--	--	--	--	3,257,500	3,257,500
2042	--	--	--	--	--	3,360,000	3,360,000
Totals[(3)]	$10,415,000	$13,330,000	$63,699,088	$1,902,600	$7,634,550	$70,033,525	$167,014,763

(1) Final maturity is March 1, 2025.
(2) Final maturity is March 1, 2030.
(3) Totals may not add due to rounding.

Certificates of Participation. On December 20, 2007, the District caused the execution and delivery of its 2007 Certificates of Participation (School Refinancing Project) (the "2007 Certificates") in the aggregate principal amount of $9,100,000, the net proceeds of which were used to defease and prepay the District's then-outstanding Convertible Capital Appreciation Certificates of Participation (2000 School Facilities Project). The annual requirements to pay the principal and interest payments with respect to the 2007 Certificates are as follows:

Year Ending (October 1)	Certificate Principal	Certificate Interest	Total Annual Certificate Payments
2013	$300,000.00	$322,693.76	$622,693.76
2014	310,000.00	310,693.76	620,693.76
2015	320,000.00	298,293.76	618,293.76
2016	335,000.00	285,493.76	620,493.76
2017	345,000.00	272,093.76	617,093.76
2018	360,000.00	258,293.76	618,293.76
2019	380,000.00	243,893.76	623,893.76
2020	390,000.00	228,693.76	618,693.76
2021	410,000.00	213,093.76	623,093.76
2022	425,000.00	196,693.76	621,693.76
2023	445,000.00	179,693.76	624,693.76
2024	455,000.00	161,337.50	616,337.50
2025	480,000.00	142,000.00	622,000.00
2026	500,000.00	121,600.00	621,600.00
2027	520,000.00	100,350.00	620,350.00
2028	545,000.00	76,950.00	621,950.00
2029	570,000.00	52,425.00	622,425.00
2030	595,000.00	26,775.00	621,775.00
Total	$7,685,000.00	$3,491,068.86	$11,176,068.86

Qualified School Construction Bonds. On September 15, 2011, the District entered into a lease purchase agreement in the aggregate principal amount of $2,100,000 (the "QSCB Lease Agreement"), which was designated as a "Qualified School Construction Bond" for purposes of the American Recovery and Reinvestment Act of 2009. The District expects to receive, on or about each lease payment date under the QSCB Lease Agreement, a cash subsidy payment (each a "Subsidy Payment") from the United States Treasury (the "Treasury") equal to the lesser of (a) the interest component of the lease payment due on such lease payment date or (b) an amount equal to the interest component that would have been payable on such lease payment date if such interest were determined at a federal tax credit rate applicable to the QSCB Lease Agreement (the "Tax Credit Rate"), which Tax Credit Rate is published by the Treasury and determined under Section 54A(b)(3) of the Code.

The Subsidy Payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury. However, the Subsidy Payment is subject to reduction (the "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payment by 8.7% through the end of the current federal fiscal year (September 30, 2013). In the absence of action by the U. S. Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years.

The District's annual requirements to make lease payments with respect to the QSCB Lease Agreement are as follows:

Year Ending (September 1)	Amount Attributable to Principal	Amount Attributable to Interest	Total Annual Lease Payments[1]
2013	$115,349.66	$108,960.40	$224,310.06
2014	116,459.67	102,520.01	218,979.68
2015	117,580.37	96,017.64	213,598.01
2016	118,711.85	89,452.69	208,164.54
2017	119,854.22	82,824.57	202,678.79
2018	121,007.58	76,132.67	197,140.25
2019	122,172.04	69,376.37	191,548.41
2020	123,347.71	62,555.06	185,902.77
2021	124,534.69	55,668.10	180,202.79
2022	125,733.09	48,714.87	174,447.96
2023	126,943.02	41,694.73	168,637.75
2024	128,164.61	34,607.03	162,771.64
2025	129,397.94	27,451.13	156,849.07
2026	130,643.14	20,226.37	150,869.51
2027	131,900.33	12,932.08	144,832.41
2028	133,169.62	5,567.60	138,737.22
Total	$1,984,969.54	$934,701.32	$2,919,670.86

[1] Does not reflect receipt of Subsidy Payments.

Qualified Zone Academy Bonds. On December 9, 2003, the District, pursuant to a lease purchase agreement with the Public Property Financing Corporation of California, issued $5,000,000 aggregate principal amount of Qualified Zone Academy Bonds (the "QZABs") pursuant to Section 1397E of the Internal Revenue Code. The purpose of the lease purchase agreement is to finance certain improvements, equipment, and related costs for the District's Literacy and Information Technology Academy and to pay certain costs of issuance. Payment of the QZABs at maturity is secured by a certain funds, together with the earnings thereon, deposited by the District with a trustee. See Note 8 to the fiscal year 2011-12 audited financial statements of the District included in Appendix A hereto.

Capital Leases. The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability, as of June 30, 2012, on lease agreements with options to purchase is summarized below:

Fiscal Year	Lease Payment
2013	$621,118
2014	621,118
2015	621,118
2016	621,118
2017	621,118
2018	621,118
Total	$3,726,708
Less: Amount Representing Interest	(438,680)
Present Value of Minimum Lease Payments	$3,288,028

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel ("Bond Counsel"), subject, however to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations; however, Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's minimum tax liabilities.

The opinions of Bond Counsel set forth in the preceding paragraph 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 Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Resolutions and other related documents refer to certain requirements, covenants and procedures which may be changed and certain actions that may be taken, upon the advice or with an opinion of nationally recognized bond counsel. No opinion is expressed by Bond Counsel as to the effect on any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than Bond Counsel. Bond Counsel has not undertaken to determine (or to inform any person) where any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

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

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the recipient's federal or state tax liability. Owners of the Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on the Bonds may have federal or state tax consequences other than as described above. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deduction.

See "APPENDIX B – FORM OF OPINION OF BOND COUNSEL" for the proposed form of opinion of Bond Counsel.

Bond Counsel's employment is limited to a review of the legal proceedings required for authorization of the Bonds and to rendering an opinion as to the validity of the Bonds and the exclusion from gross income for federal income tax purposes of interest on the Bonds. Bond Counsel has undertaken no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and expresses no opinion relating thereto.

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

Premium Bonds

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is in the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds.

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

Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. In 2011 and 2012, legislative changes were proposed in Congress, which, if enacted, would have resulted in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion.

Internal Revenue Service Audit of Municipal Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt securities issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar securities).

Information Reporting and Backup Withholding

Information reporting requirements apply to interest (including original issue discount) paid after March 31, 2007, on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an Owner purchasing Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the Owner's federal income tax once the required information is furnished to the Internal Revenue Service. Bond Counsel provides no opinion concerning such reporting or withholding with respect to the Bonds.

LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (the District's fiscal year ends on June 30), commencing with the report for the 2012-13 fiscal year (which is due not later than April 1, 2014), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of events will be filed in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and to be contained in the notices of enumerated events is described in the form of Continuing Disclosure Certificate attached hereto as Appendix C. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Within the past five years, the District has failed to timely file portions of the annual disclosure reports required in connection with its outstanding general obligation bonds. The District has since filed such reports and is now in compliance with all its previous continuing disclosure undertakings to provide annual reports or notices of certain events.

Legality for Investment in California

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

Absence of Material Litigation

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

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

The District has an ongoing dispute with the State Board of Education and the State Department of Education regarding the calculation of A.D.A. and resultant funding for the District's on-line grades 9-12 charter school ("Choice 2000"). Notwithstanding this dispute, which concerns fiscal years 2005-06 and thereafter, the State has continued to fund Choice 2000 during the pendency of the case. For additional information regarding this ongoing litigation, see Note 13 to the fiscal year 2011-12 audited financial statements of the District included in Appendix A hereto, as well as the Schedule of Findings and Questioned Costs included in such financial statements.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, as Bond Counsel. A copy of the proposed form of such legal opinion is attached to this Official Statement as Appendix B.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2012, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated October 22, 2012, of Vavrinek, Trine, Day & Co., LLP (the "Auditor"), are included in this Official Statement as Appendix A. In connection with the inclusion of the financial statements and the reports of the Auditor thereon in Appendix A to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its reports.

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), is expected to assign a rating of "AA-" to the Bonds based upon the issuance of the Policy by AGM. S&P has assigned an underlying rating of "A+" to the Bonds, without regard to the Policy.

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

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $35,190,508.95, which is equal to the principal amount of the Bonds of $35,000,000.00, plus original issue premium of $453,008.95, less the Underwriter's discount of $262,500.00. The Bond Purchase Agreement for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

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

Stifel, Nicolaus & Company, Incorporated, the Underwriter of the Bonds, has provided the following sentence for inclusion in the Official Statement: "Stifel, Nicolaus & Company, Incorporated made a voluntary contribution to the committee that was formed to support the election authorizing the Bonds."

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolutions providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

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

PERRIS UNION HIGH SCHOOL DISTRICT

By /s/ Candace Reines
Assistant Superintendent, Business Services

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APPENDIX A

FISCAL YEAR 2011-12 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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PERRIS UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

PERRIS UNION HIGH SCHOOL DISTRICT

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Governing Board
Perris Union High School District
Perris, California

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

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Perris Union High School District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and budgetary comparison and other postemployment benefit information on pages 57 and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 22, 2012

This section of Perris Union High School District's (the District) (2011-2012) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012, with comparative information from 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The District's revenues were once again reduced considerably this past year due to the economy of the State. As a result, further budget reductions were implemented during the 2011-2012 school year. Limited resources were once again reevaluated and directed toward maintaining strong educational programs for the students served by the District. During 2011-2012, the District set student attendance goals and implemented processes that resulted in higher student in-seat time. This result was twofold, higher student test scores and an increase in Revenue Limit funding. In addition to its ongoing efforts in the maintenance and repair of existing facilities, the District continued its aggressive facilities acquisition, construction, and modernization programs, a few of which are listed below:

1. Pinacate Middle School's Expansion Project Phase I, funded by Measure "Z" bonds, Redevelopment Agency (RDA), State Capital Funds and Developer Fees, was completed in August 2012. This phase included a new library/administrative building and gymnasium building. Phase II of the Expansion Project began in September 2012 and is projected to be completed in July 2013. It includes the modification and expansion of the former main school building to include new classrooms, new kitchen facilities, a new resource area, a new outdoor lunch shelter, and the existing multipurpose room and restrooms will be modernized, upgraded, and expanded.
2. Heritage High School's Agricultural Research Center, funded through the Career Technical Education (CTE) Proposition 1D competitive grant program and matching funds, was completed in June 2012. The project included a 6,561 square foot Agriculture Science Building which will house two Animal Science Laboratories and one Research Laboratory. In addition to the main Agricultural Science Building, a greenhouse, shade house, rabbit barn, laying barn and finishing barn were also included. The entire project is immersed within a plethora of outside land laboratory facilities including pastures, orchards, livestock breeding, and growing areas.
3. Perris High School's Stadium Completion project funded by Measures "Z" Bonds, was completed in June 2012.
4. Construction of an 18-classroom building at Perris High School, funded by the 2011 Special Revenue Bonds, began in November 2012 and will allow for many of the existing portable classrooms to be removed.
5. A state-of the-art agriculture facility at Perris High School, funded by Developer Fees, began in October 2012.
6. California Military Institute Music and Science Building, funded by QSCB and Developer Fees, began in June 2012 and is projected to be completed in June 2013.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

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

Governmental Activities - The District reports all of its services in this category. This includes the education of seventh through twelfth grade students, adult education students, the operation of a community day school program, two charter schools, and the on-going effort to expand, improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $188,502,774 for the fiscal year ended June 30, 2012. Of this amount, $1,143,545 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2012	2011
Assets		
Current and other assets	$ 59,877,536	$ 56,572,469
Capital assets	219,267,244	206,595,848
Total Assets	279,144,780	263,168,317
Liabilities		
Current liabilities	7,648,158	8,354,605
Long-term obligations (includes current portion)	82,993,848	101,198,729
Total Liabilities	90,642,006	109,553,334
Net Assets		
Invested in capital assets, net of related debt	140,095,275	115,759,915
Restricted	47,263,954	35,219,190
Unrestricted	1,143,545	2,635,878
Total Net Assets	$ 188,502,774	$ 153,614,983

The $1,143,545 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations.

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2012	2011
Revenues		
Program revenues:		
Charges for services	$ 984,193	$ 940,789
Operating grants and contributions	17,230,515	14,853,676
Capital grants and contributions	1,796,622	63,416
General revenues:		
Federal and State aid, not restricted	45,377,862	45,114,596
Property taxes	27,333,470	26,486,737
Other general revenues	37,869,815	8,983,657
Total Revenues	130,592,477	96,442,871
Expenses		
Instruction	51,936,190	56,479,823
Instruction-related	10,905,251	11,572,630
Pupil services	11,321,971	11,858,424
Administration	5,700,361	5,745,200
Maintenance and operations	8,461,036	9,175,194
Other	7,379,877	5,359,985
Total Expenses	95,704,686	100,191,256
Change in Net Assets	$ 34,887,791	$ (3,748,385)

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $95,704,686. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $27,333,470. The remaining cost of was paid by those who benefited from the programs; $984,193, or by other governments and organizations who subsidized certain programs with $19,027,137 in grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with State funds, and with other revenues, like interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction and instruction-related	$ 62,841,441	$ 68,052,453	$ 49,792,659	$ 58,192,931
Pupil services	11,321,971	11,858,424	6,118,069	7,077,896
Administration	5,700,361	5,745,200	4,891,618	4,666,762
Maintenance and operations	8,461,036	9,175,194	8,446,743	9,155,406
Other outgo	7,379,877	5,359,985	6,444,267	5,240,380
Total	$ 95,704,686	$ 100,191,256	$ 75,693,356	$ 84,333,375

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $52,182,055 which is an increase of $4,174,190 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2011	Revenues	Expenditures	June 30, 2012
General Fund	$ 12,721,914	$ 76,731,708	$ 80,990,715	$ 8,462,907
Charter School Fund	1,148,633	6,586,882	6,036,902	1,698,613
Cafeteria Fund	754,127	4,280,518	4,027,192	1,007,453
Capital Facilities Fund	10,365,672	8,263,963	8,872,706	9,756,929
Capital Projects Fund for Blended Component Units	3,770,737	24,301,805	10,204,370	17,868,172
Debt Service Fund for Blended Component Units	2,735,902	17,435,451	19,546,030	625,323
Non-Major Governmental Funds	16,510,880	8,022,900	11,771,122	12,762,658
Total	$ 48,007,865	$ 145,623,227	$ 141,449,037	$ 52,182,055

The primary reasons for the increases and decreases to the Districts' fund balances are:

1. As the District's principal operating fund, the General Fund is comprised of unrestricted as well as restricted dollars. The fund balance in the General Fund decreased by $4,259,007. The net decrease is primarily due to the final spend-down of Federal stimulus funds and continued revenue decreases.

2. The Charter School Fund balance increased by $549,980 due to the increased revenue generated by an increase in average daily attendance.

3. The Cafeteria Fund balance increased by $253,326 due the continued expansion of the nutrition service program.

4. The Capital Projects Fund for Blended Component Units increased by an net $14,097,435 collectively due primarily to construction funding for building projects at Pinacate Middle School, Heritage High School, Perris High School and California Military Institute.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to manage unexpected changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our audit report on page 57.

1. Revenue revision increases made to the 2011-2012 adopted budget, were primarily attributable to a combination of the reversal of the 3.85 percent reduction to the District's revenue limit and Redevelopment Agency funds.

2. Budgeted expenditures increased due to the reversal of expenditure reductions previously identified.

3. Budgeted expenditures decreased due to a combination of the deferral of 2010-2011 planned expenditures to the 2012-2013 fiscal year and the State of California on behalf payments to CalSTRS for the District (based on 4.267 percent of annual payroll).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had $219,267,244 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $12,671,396 or 6.1 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2012	2011
Land and construction in progress	$ 36,092,310	$ 18,693,058
Buildings and improvements, net of depreciation	178,271,949	182,914,824
Furniture and equipment, net of depreciation	4,902,985	4,987,966
Total	$ 219,267,244	$ 206,595,848

This year's increase of $17.4 million in land and construction in progress is primarily a result of E-rate projects at various sites and ongoing projects such as Pinacate Middle School, Perris High School additions, the Heritage High School Agricultural Center, and High School #4. In addition, the $4.6 million decrease in building and improvements along with $0.8 million decrease in furniture and equipment pertain to depreciation expense being higher in 2011-2012 than actual purchases incurred, thus, reducing the book value of the existing assets. The overall total asset amount includes approximately $12.6 million in current year addition net of depreciation expense for the 2011-2012 fiscal year.

Long-Term Obligations

At the end of this year, the District had $82,993,848 in long-term obligations outstanding versus $101,198,729 last year, an decrease of 17.99 percent. These long-term obligations consisted of:

Table 6

	Governmental Activities	
	2012	2011
General obligation bonds	$ 61,877,913	$ 62,128,878
Certificates of participation	7,970,000	26,725,000
Qualified school construction bonds	2,042,231	-
QZAB lease purchase agreement	5,000,000	5,000,000
Capital lease obligations	3,288,028	3,769,669
Other	2,815,676	3,575,182
Total	$ 82,993,848	$ 101,198,729

General Obligation Bonds and Capital Lease obligations decreased by the required annual principal payment. Certificates of Participation were paid down by $24,682,769. Other obligations include accumulated vacation payable and Public Agency Retirement Services retirement payable. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2011-2012:

Accomplishments supporting student learning throughout the 2011-2012 school year included professional development opportunities for teachers, administrators, support staff, and parent/community members. Focus areas were core curriculum, assessment, student engagement, best instructional practices, behavior management, and integration of technology and college/career preparation.

Academic Performance Index (API)

State results are improving academically from year-to-year, based on results of statewide testing. The API is the cornerstone of the state's academic accountability requirements. Its purpose is to measure the academic performance and growth of schools. (CDE, 2010)
The API:

1. Is based on an improvement model and consists of a Base and a Growth API each year that allows for comparability and growth measurement.
2. The Base API is calculated from previous year's test scores and is used to calculate student improvement at the school/district level when compared to current year's test scores (growth API).
3. Each school has a unique target related to their Base API.

Perris Union High School District (PUHSD) API Highlights:

1. The district overall API increased by one point.
2. The Hispanic subgroup API increased by nine points.
3. The Socioeconomically Disadvantaged (SED) subgroup increased by seven points.
4. The African American subgroup decreased by 33 points.
5. The English Learner subgroup decreased by 9 points.
6. The Students with Disabilities (SWD) subgroup decreased by 34 points.
7. The California Military Institute, Choice 2000, Paloma Valley High School, and the two alternative sites all met their annual growth targets.
8. Pinacate Middle School increased their API by two points.

Adequate Yearly Progress (AYP):

1. AYP is a Federal Accountability Measurement required by the Elementary and Secondary Education Act (ESEA).
2. Status Model: Schools must meet minimum proficiency targets that increase approximately ten percent each year until 2014 when all students are expected to achieve proficiency.
3. High school AYP proficiency is based on the California High School Exit Exam (CAHSEE) Census administration given to all 10th graders in March in the areas of English Language Arts and Math.
4. Middle school AYP proficiency is based on the California Standardized Testing (CST), California Modified Assessment (CMA), and the California Alternate Performance test (CAPA) in the areas of English Language Arts and Math.

Perris Union High School District (PUHSD) 2012 AYP Highlights:

1. District percent proficient in ELA decreased from 49.9 percent to 49.1 percent with similar declines for most numerically significant subgroups.
2. District percent proficient in Math increased from 42.7 percent to 46.7 percent and incremental gains were seen in the Hispanic and SED subgroups.
3. Choice 2000 met all AYP requirements and The California Military Institute met 16 out of 17 requirements.

The District continues to focus on student learning and improved instructional practices and professional development for students, families, teachers, and administration. The 2011-2012 budget was built to support these guiding principles as well as exiting from Program Improvement status. The financial and instructional plans prioritize needs and allocation of resources to support the nine essential program components (NEPC).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2012-2013 year, the governing board and management used the following criteria at adoption:

- District enrollment of 9,640 and the Charter schools 1,090, is projected to be 10,730 in total. This represented an increase of 2.6 percent District-wide which, in comparison with the past three years, is a positive sign for slight growth. Overall District Average Daily Attendance (ADA); including charters is projected to be 9,962. This represents an increase of 14 ADA.
- Lottery funding for 2012-2013 is projected to be $128.50 per prior-year annual ADA. This per-pupil rate reflects $111 per pupil for unrestricted lottery revenues and $17.50 per pupil for lottery funding restricted to the purchase of instructional materials.
- Base Revenue Limit was calculated at $6,072 per ADA. This included a statutory Cost of Living Adjustment (COLA) of 3.24 percent paired with a deficit factor of 22.72 percent.
- The District reserve for economic uncertainty is three percent and meets the minimum required reserve standard for a district this size.
- With the uncertainty of the State budget and an effort to continue a fiscally conservative approach with the recommended governor budget triggers, the District moved forward in implementing 2012-2013 budget reductions that were recommended by the Superintendent and his Cabinet and were subsequently presented to and approved by the Board.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Candace Reines, Assistant Superintendent, Business Services, at Perris Union High School District, 155 E. 4th Street, Perris, California, 92570, or e-mail at candace.reines@puhsd.org.

PERRIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Deposits and investments	$ 41,890,248
Receivables	17,180,455
Deferred charges	793,961
Stores inventories	12,872
Capital assets	
Land and construction in process	36,092,310
Other capital assets	242,328,741
Accumulated depreciation	(59,153,807)
Total Capital Assets	219,267,244
Total Assets	279,144,780
LIABILITIES	
Accounts payable	6,768,223
Interest payable	746,638
Deferred revenue	133,297
Long-term obligations	
Current portion of long-term obligations	3,599,129
Noncurrent portion of long-term obligations	79,394,719
Total Long-Term Obligations	82,993,848
Total Liabilities	90,642,006
NET ASSETS	
Invested in capital assets, net of related debt	140,095,275
Restricted for:	
Debt service	11,461,192
Capital projects	31,333,027
Educational programs	3,475,153
Other activities	994,582
Unrestricted	1,143,545
Total Net Assets	$ 188,502,774

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

PERRIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 51,936,190	$ 708	$ 10,377,264	$ 1,796,622	$ (39,761,596)
Instruction-related activities:					
Supervision of instruction	1,858,452	-	786,693	-	(1,071,759)
Instructional library, media and technology	517,357	-	928	-	(516,429)
School site administration	8,529,442	326	86,241	-	(8,442,875)
Pupil services:					
Home-to-school transportation	3,505,188	455	713,025	-	(2,791,708)
Food services	3,379,431	567,642	3,016,846	-	205,057
All other pupil services	4,437,352	-	905,934	-	(3,531,418)
Administration:					
Data processing	1,282,589	-	-	-	(1,282,589)
All other administration	4,417,772	68,297	740,446	-	(3,609,029)
Plant services	8,461,036	4,139	10,154	-	(8,446,743)
Ancillary services	1,602,533	-	37,385	-	(1,565,148)
Community services	711	-	-	-	(711)
Interest on long-term obligations	4,930,274	-	-	-	(4,930,274)
Other outgo	846,359	342,626	555,599	-	51,866
Total Governmental Activities	$ 95,704,686	$ 984,193	$ 17,230,515	$ 1,796,622	(75,693,356)
	General revenues and subventions:				
	Property taxes, levied for general purposes				22,149,599
	Property taxes, levied for debt service				3,877,053
	Taxes levied for other specific purposes				1,306,818
	Federal and State aid not restricted to specific purposes				45,377,862
	Interest and investment earnings				57,537
	Miscellaneous				37,812,278
	Subtotal, General Revenues				110,581,147
	Change in Net Assets				34,887,791
	Net Assets - Beginning				153,614,983
	Net Assets - Ending				$ 188,502,774

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

PERRIS UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General Fund	Charter School Fund	Cafeteria Fund
ASSETS			
Deposits and investments	$ 2,165,214	$ 482,654	$ 619,921
Receivables	15,111,597	1,377,567	434,148
Due from other funds	405,761	364,058	-
Stores inventories	-	-	12,872
Total Assets	$ 17,682,572	$ 2,224,279	$ 1,066,941
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 3,722,310	$ 205,705	$ 27,251
Due to other funds	5,364,058	319,961	32,237
Deferred revenue	133,297	-	-
Total Liabilities	9,219,665	525,666	59,488
FUND BALANCES			
Nonspendable	25,000	-	12,871
Restricted	1,776,540	1,698,613	994,582
Assigned	4,289,487	-	-
Unassigned	2,371,880	-	-
Total Fund Balances	8,462,907	1,698,613	1,007,453
Total Liabilities and Fund Balances	$ 17,682,572	$ 2,224,279	$ 1,066,941

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

Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
$ 4,061,275	$ 21,509,861	$ 625,323	$ 12,426,000	$ 41,890,248
158,844	-	-	98,299	17,180,455
8,641,689	-	-	458,485	9,869,993
-	-	-	-	12,872
$ 12,861,808	$ 21,509,861	$ 625,323	$ 12,982,784	$ 68,953,568
$ 2,646,394	$ -	$ -	$ 166,563	$ 6,768,223
458,485	3,641,689	-	53,563	9,869,993
-	-	-	-	133,297
3,104,879	3,641,689	-	220,126	16,771,513
-	-	-	-	37,871
9,756,929	17,868,172	625,323	12,762,658	45,482,817
-	-	-	-	4,289,487
-	-	-	-	2,371,880
9,756,929	17,868,172	625,323	12,762,658	52,182,055
$ 12,861,808	$ 21,509,861	$ 625,323	$ 12,982,784	$ 68,953,568

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PERRIS UNION HIGH SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		$ 52,182,055
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	$ 278,421,051	
Accumulated depreciation is:	(59,153,807)	
Net Capital Assets		219,267,244
Expenditures relating to issuance of debt of next fiscal year were recognized on modified accrual basis, but are not recognized on the accrual basis.		793,961
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when incurred.		(746,638)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	61,877,913	
Certificates of participation	7,970,000	
Qualified school construction bonds	2,042,231	
QZAB lease purchase agreement	5,000,000	
Capital leases	3,288,028	
Compensated absences (vacations)	329,807	
Supplemental employee retirement plan (SERP)	2,485,869	
Total Long-Term Obligations		(82,993,848)
Total Net Assets - Governmental Activities		$ 188,502,774

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

PERRIS UNION HIGH SCHOOL DISTRICT

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

	General Fund	Charter School Fund	Cafeteria Fund
REVENUES			
Revenue limit sources	$ 54,695,987	$ 5,510,837	$ -
Federal sources	4,998,559	180,271	3,312,095
Other State sources	10,995,164	834,537	270,433
Other local sources	6,040,932	16,597	697,990
Total Revenues	76,730,642	6,542,242	4,280,518
EXPENDITURES			
Current			
Instruction	42,756,130	3,505,830	-
Instruction-related activities:			
Supervision of instruction	1,858,452	-	-
Instructional library, media, and technology	517,207	150	-
School site administration	6,552,242	1,245,420	-
Pupil services:			
Home-to-school transportation	3,505,188	-	-
Food services	6,571	-	3,372,860
All other pupil services	4,351,504	85,848	-
Administration:			
Data processing	1,220,937	5,036	-
All other administration	3,938,282	469,484	148,990
Plant services	9,072,148	454,401	-
Facility acquisition and construction	5,090,616	-	-
Ancillary services	1,443,505	159,028	-
Community services	711	-	-
Other outgo	-	-	-
Debt service			
Principal	481,641	57,769	500,000
Interest and other	195,581	53,936	5,342
Total Expenditures	80,990,715	6,036,902	4,027,192
Excess (Deficiency) of Revenues Over Expenditures	(4,260,073)	505,340	253,326
Other Financing Sources (Uses)			
Transfers in	1,066	-	-
Other sources	-	44,640	-
Transfers out	-	-	-
Net Financing Sources (Uses)	1,066	44,640	-
NET CHANGE IN FUND BALANCES	(4,259,007)	549,980	253,326
Fund Balances - Beginning	12,721,914	1,148,633	754,127
Fund Balances - Ending	$ 8,462,907	$ 1,698,613	$ 1,007,453

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

Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 60,206,824
-	-	-	100,409	8,591,334
-	-	-	1,831,546	13,931,680
850,832	2,275,235	9,977	4,025,945	13,917,508
850,832	2,275,235	9,977	5,957,900	96,647,346
-	-	-	90,108	46,352,068
-	-	-	-	1,858,452
-	-	-	-	517,357
-	-	-	6,738	7,804,400
-	-	-	-	3,505,188
-	-	-	-	3,379,431
-	-	-	-	4,437,352
-	-	-	-	1,225,973
590,534	-	-	-	5,147,290
20,190	-	-	3,563	9,550,302
8,261,982	-	-	4,625,300	17,977,898
-	-	-	-	1,602,533
-	-	-	-	711
-	846,359	-	-	846,359
-	-	18,755,000	1,685,000	21,479,410
-	-	670,910	1,907,794	2,833,563
8,872,706	846,359	19,425,910	8,318,503	128,518,287
(8,021,874)	1,428,876	(19,415,933)	(2,360,603)	(31,870,941)
7,413,131	1,924,520	1,527,033	2,065,000	12,930,750
-	20,102,050	15,898,441	-	36,045,131
-	(9,358,011)	(120,120)	(3,452,619)	(12,930,750)
7,413,131	12,668,559	17,305,354	(1,387,619)	36,045,131
(608,743)	14,097,435	(2,110,579)	(3,748,222)	4,174,190
10,365,672	3,770,737	2,735,902	16,510,880	48,007,865
$ 9,756,929	$ 17,868,172	$ 625,323	$ 12,762,658	$ 52,182,055

PERRIS UNION HIGH SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		$ 4,174,190
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	$ 19,144,208	
Depreciation expense	(6,448,257)	
Net Expense Adjustment		12,695,951
Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds.		(24,555)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and supplemental retirement are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was less than the amounts used by $24,185 and supplemental retirement earned was less than the amount used by $735,321.		759,506
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:		
Qualified school construction bonds		(2,100,000)
In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the Statement of Activities, they are amortized over the life of the debt. The difference between debt issuance costs recognized in the current period and issue costs amortized for the period is:		(62,703)

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

PERRIS UNION HIGH SCHOOL DISTRICT

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

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:	
General obligation bonds	$ 1,685,000
Certificates of participation	18,755,000
Qualified school construction bonds	57,769
Capital lease obligations	481,641
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds increased by $99,973 and second, $1,434,035 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.	(1,534,008)
Change in Net Assets of Governmental Activities	$ 34,887,791

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

PERRIS UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Debt Service Fund for Special Tax Bonds	Associated Student Bodies	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	$ 5,646,524	$ 645,702	$ 6,292,226
Receivables	-	3,705	3,705
Total Assets	$ 5,646,524	$ 649,407	$ 6,295,931
LIABILITIES			
Due to student groups	$ -	$ 649,407	$ 649,407
Due to bond holders	5,646,524	-	5,646,524
Total Liabilities	$ 5,646,524	$ 649,407	$ 6,295,931

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Perris Union High School District (the District) was incorporated on August 23, 1897, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades 7 - 12 as mandated by the State and/or Federal agencies. The District operates one middle school, three high schools, a continuation school, a community day school, two charter schools and an adult education school.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below is reported in the District's financial statements because of the significance of its relationship with the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the Governing Board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Perris Valley Schools Capital Facilities Corporation's (the Corporation) financial activity is presented in the financial statements in the Capital Project Fund for Blended Component Units and the Corporation Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually-prepared financial statements are not prepared for Perris Valley Schools Capital Facilities Corporation.

The Perris Union High School District Financing Authority (the Authority), formed for the purpose of issuing debt related to the Community Facilities District 91-1 and the Community Facilities District 92-1 (the CFDs), financial activity is presented in the financial statements in the Capital Project Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFD's not are included as long-term obligations in the government-wide financial statements as they are not obligations of the District. Individually-prepared financial statements are not prepared for Perris Union High School District Financing Authority.

Other Related Entities

Charter School The District has approved charters for Choice 2000 Online High School and California Military Institute pursuant to *Education Code* Section 47605. The charter schools are operated by the District, and their financial activities are presented in the Charter School Fund.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Charter Schools Fund The Charter School's Fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing district's General Fund.

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

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

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by the Perris Valley Schools Capital Facilities Corporation, the 91-1 Community Facilities District, and the 92-1 Community Facilities District that are considered blended component units of the District under generally accepted accounting principles.

Debt Service Fund for Blended Component Units The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by the Perris Valley Schools Capital Facilities Corporation, the 91-1 Community Facilities District, and the 92-1 Community Facilities District and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Non-Major Governmental Funds

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

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

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

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

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

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

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

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

QZAB Fund The QZAB Fund is used to account for the accumulation of resources for the lease payment related to the QZAB lease purchase agreement between the District and the Public Property Financing Corporation of California.

Debt Service Fund The Corporation Debt Service Fund is used to account for the accumulation of resources for the payment of the principal and interest related to certificates of participation issued by the Perris Valley Schools Capital Facilities Corporation that is considered a blended component unit of the District under generally accepted accounting principles (GAAP).

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

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

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

Basis of Accounting - Measurement Focus

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

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

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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

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

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

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

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

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

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

Investments

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 7 to 30 years; equipment, 5 to 20 years.

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Issuance Costs, Premiums and Discounts

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

Fund Balances - Governmental Funds

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

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report $47,263,954 of restricted net assets.

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

New Accounting Pronouncements

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

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

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

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

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

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

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged.

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

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

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

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

In March 2012, the GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.* The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged.

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

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

Statement No. 67, *Financial Reporting for Pension Plans,* revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$ 41,890,248
Fiduciary funds	6,292,226
Total Deposits and Investments	$ 48,182,474

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

Cash on hand and in banks	$ 6,311,837
Cash in revolving	25,000
Investments	41,845,637
Total Deposits and Investments	$ 48,182,474

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

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

Weighted Average Maturity

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

Investment Type	Fair Value	Maturity Date
Commercial Paper - F Car Owner Trust	$ 3,845,725	12/10/2012
First American Government Obligation Fund Class D	829,931	7/1/2012
Money Market	21,990,070	7/1/2012
Riverside County Investment Pool	15,267,285	431*
Total	$ 41,933,011	

*Weighted-average days to maturity.

Credit Risk

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

Investment Type	Minimum Legal Rating	Rating June 30, 2012	Fair Value
Commercial Paper - F Car Owner Trust	Not Required	A+	$ 3,845,725
First American Government Obligation Fund Class D	Not Required	Not Rated	829,931
Money Market	Not Required	Not Rated	21,990,070
Riverside County Investment Pool	Not Required	AAA/V1	15,267,285
Total Investments			$ 41,933,011

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 - RECEIVABLES

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

	General Fund	Charter School Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government						
Categorical aid	$ 721,735	$ -	$ 391,033	$ -	$ 52,359	$ 1,165,127
State Government						
Apportionment	10,969,684	1,053,260	-	-	-	12,022,944
Categorical aid	1,191,990	255,390	34,459	-	-	1,481,839
Lottery	714,212	67,107	-	-	-	781,319
Other State	1,349,672	-	-	-	-	1,349,672
Local Government						
Interest	3,784	1,810	137	8,844	4,687	19,262
Other Local Sources	160,520	-	8,519	150,000	41,253	360,292
Total	$ 15,111,597	$ 1,377,567	$ 434,148	$ 158,844	$ 98,299	$ 17,180,455

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 11,541,262	$ -	$ -	$ 11,541,262
Construction in Progress	7,151,796	17,399,252	-	24,551,048
Total Capital Assets Not Being Depreciated	18,693,058	17,399,252	-	36,092,310
Capital Assets Being Depreciated:				
Land Improvements	16,675,277	278,510	-	16,953,787
Buildings	215,189,863	224,055	-	215,413,918
Equipment	8,937,084	1,242,391	218,439	9,961,036
Total Capital Assets Being Depreciated	240,802,224	1,744,956	218,439	242,328,741
Total Capital Assets	259,495,282	19,144,208	218,439	278,421,051
Less Accumulated Depreciation:				
Land Improvements	8,999,246	752,234	-	9,751,480
Buildings	39,951,070	4,393,206	-	44,344,276
Equipment	3,949,118	1,302,817	193,884	5,058,051
Total Accumulated Depreciation	52,899,434	6,448,257	193,884	59,153,807
Governmental Activities Capital Assets, Net	$ 206,595,848	$ 12,695,951	$ 24,555	$ 219,267,244

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

Governmental Activities	
Instruction	$ 5,608,307
School site administration	725,042
Data processing	56,616
All other administration	5,803
Plant services	52,489
Total Depreciation Expenses All Activities	$ 6,448,257

NOTE 5 - INTERFUND TRANSACTIONS

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

	Due From						
Due To	General Fund	Charter School Fund	Cafeteria Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total
General Fund	$ -	$ 319,961	$ 32,237	$ -	$ -	$ 53,563	$ 405,761
Charter School Fund	364,058	-	-	-	-	-	364,058
Capital Facilities Fund	5,000,000	-	-	-	3,641,689	-	8,641,689
Non-Major Governmental Funds	-	-	-	458,485	-	-	458,485
Total	$ 5,364,058	$ 319,961	$ 32,237	$ 458,485	$ 3,641,689	$ 53,563	$ 9,869,993

The balance of $310,753 is due to the Charter School Fund from the General Fund for the in lieu property tax transfer.

The balance of $3,641,689 is due to the Capital Facilities Fund from the Capital Projects Fund for Blended Component Units to reimburse costs.

The balance of $180,138 is due to the General Fund from the Charter School Fund for administrative charges.

The balance of $108,834 is due to the General Fund from the Charter School Fund for indirect costs.

The balance of $5,000,000 is due to the Capital Facilities Fund from the General Fund for temporary loan.

The balance of $458,485 is due to the County School Facilities Non-Major Fund from the Capital Facilities Fund to reimburse costs.

Operating Transfers

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

	Transfer From			
Transfer To	Capital Project Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total
General Fund	$ -	$ -	$ 1,066	$ 1,066
Capital Facilities Fund	7,293,011	120,120	-	7,413,131
Capital Project Fund For Blended Component Units	-	-	1,924,520	1,924,520
Debt Service Fund for Blended Component Units	-	-	1,527,033	1,527,033
Non-Major Governmental Funds	2,065,000	-	-	2,065,000
Total	$ 9,358,011	$ 120,120	$ 3,452,619	$ 12,930,750

The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund for contributions to cover costs.	$ 1,066
The Capital Projects Fund for Blended Component Units transferred to the Capital Facilities Fund to reimburse for construction payments.	7,293,011
The Capital Projects Fund for Blended Component Units transferred to the Capital Facilities Fund Certificates of Participation debt service payments.	2,065,000
The Debt Service Fund transferred to the Capital Project Fund for Blendend Component Units for debt service reclass.	1,924,520
The Debt Service Fund transferred to the Debt Service Fund for Blended Component Units for Certificates of Participation debt service payments.	1,527,033
The Debt Service Fund for Blended Component Units transferred to the Capital Facilities Fund for Certificates of Participation debt service payments.	120,120
	$ 12,930,750

NOTE 6 - ACCOUNTS PAYABLE

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

	General Fund	Charter School Fund	Cafeteria Fund	Capital Facilities Fund
Vendor payables	$ 922,826	$ 54,632	$ 22,116	$ 193,881
State apportionment	2,562,937	143,821	-	-
Salaries and benefits	227,425	7,252	5,135	5,079
Construction	9,122	-	-	2,447,434
Total	$ 3,722,310	$ 205,705	$ 27,251	$ 2,646,394

	Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	$ 4,409	$ 1,197,864
State apportionment	-	2,706,758
Salaries and benefits	5,135	250,026
Construction	157,019	2,613,575
Total	$ 166,563	$ 6,768,223

NOTE 7 - DEFERRED REVENUE

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

	General Fund
Federal financial assistance	$ 127,484
State categorical aid	5,813
Total	$ 133,297

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
General Obligation Bonds	$ 62,128,878	$ 1,434,035	$ 1,685,000	$ 61,877,913	$ 1,945,000
Certificates of Participation	26,725,000	-	18,755,000	7,970,000	285,000
Qualified school construction bonds	-	2,100,000	57,769	2,042,231	114,799
QZAB Lease Purchase Agreement	5,000,000	-	-	5,000,000	-
Capital Leases	3,769,669	-	481,641	3,288,028	499,461
Compensated absences	353,992	-	24,185	329,807	-
SERP	3,221,190	553,155	1,288,476	2,485,869	754,869
OPEB Obligation	-	50,841	50,841	-	-
	$ 101,198,729	$ 4,138,031	$ 22,342,912	$ 82,993,848	$ 3,599,129

- Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund.
- Payments on the Certificates of Participation are made from the Debt Service Fund for Blended Component Units.
- Payments on the QZAB Lease Purchase Agreement will be made from the QZAB Fund.
- Payments for the Capital Leases are made from the General Fund.
- Payments for Accumulated Vacation are typically liquidated in the General Fund and Non-Major Governmental Funds.
- Payments for the SERP are made from the General Fund and Charter School Fund.
- Payments for the OPEB obligation are made from the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2011	Issued	Capital Appreciation	Redeemed	Bonds Outstanding June 30, 2012
5/1/00	3/1/25	6.05 - 6.40%	$ 8,313,075	$ 5,485,722	$ -	$ 436,575	$ -	$ 5,922,297
11/1/02	9/1/27	4.60 - 5.51%	7,686,807	7,162,689	-	477,892	-	7,640,581
2/25/05	9/1/14	3.00 - 4.25%	7,805,000	3,750,000	-	-	930,000	2,820,000
2/25/05	3/1/30	3.00 - 5.27%	38,764,558	39,393,788	-	480,061	445,000	39,428,849
3/28/06	9/1/22	3.50 - 4.43%	7,232,820	6,336,679	-	39,507	310,000	6,066,186
				$ 62,128,878	$ -	$ 1,434,035	$ 1,685,000	$ 61,877,913

Election 1999, Series A General Obligation Bonds

In May 2000, the District issued $8,313,075 in Election 1999, Series A General Obligation Bonds. Proceeds from the bonds will be used for the purpose of construction and renovation of various school facilities in the District. In March 2005, the 2005 General Obligation Refunding Bonds refunded the current interest portion of the bonds. At June 30, 2012, the principal balance outstanding was $5,922,297 and unamortized issuance costs were $130,998.

Election 1999, Series B General Obligation Bonds

In November 2002, the District issued $7,686,807 in Election 1999, Series B General Obligation Bonds. Proceeds from the bonds will be used for the purpose of construction and renovation of various school facilities in the District. In March 2005, the 2005 General Obligation Refunding Bonds refunded the current interest portion of the bonds. At June 30, 2012, the principal balance outstanding was $7,640,581 and unamortized issuance costs were $120,828.

2005 General Obligation Refunding Bonds

In February 2005, the District issued $7,805,000 in 2005 General Obligation Refunding Bonds. Proceeds from the bonds will be used to refund certain maturities of the District's outstanding General Obligation Bonds, Election 1999, Series A General Obligation Bonds, Election 1999, Series B and to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2012, the principal balance outstanding was $2,820,000 and unamortized issuance costs were $23,203.

Election 2004, Series A General Obligation Bonds

In February 2005, the District issued $38,764,558 in Election 2004, Series A General Obligation Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2012, the principal balance outstanding was $39,428,849 and unamortized issuance costs were $396,182.

Election 2004, Series B General Obligation Bonds

In March 2006, the District issued $7,232,820 in Election 2004, Series B General Obligation Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2012, the principal balance outstanding was $6,066,186 and unamortized issuance costs were $122,750.

Debt Service Requirements to Maturity

The bonds mature through 2030, as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest	Total
2013	$ 1,945,000	$ 1,258,633	$ 1,838,569	$ 5,042,202
2014	2,225,000	1,333,827	1,757,938	5,316,765
2015	2,464,568	1,395,760	1,670,625	5,530,953
2016	2,594,369	1,423,332	1,594,244	5,611,945
2017	2,815,652	1,428,400	1,517,819	5,761,871
2018-2022	18,283,143	7,058,620	6,024,966	31,366,729
2023-2027	22,830,286	5,715,811	2,404,875	30,950,972
2028-2030	8,719,895	1,562,704	-	10,282,599
Total	$ 61,877,913	$ 21,177,087	$ 16,809,036	$ 99,864,036

Certificates of Participation

In December 2007, the District issued $23,500,000 in Certificates of Participation for the purpose of defeasing and prepaying a portion of the 2000 Certificates of Participation. The interest rate is set at six percent per annum. The outstanding principal balance at June 30, 2012, is $7,970,000.

The certificates mature through 2031, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ 285,000	$ 328,394	$ 613,394
2014	300,000	316,694	616,694
2015	310,000	304,494	614,494
2016	320,000	291,894	611,894
2017	335,000	278,794	613,794
2018-2022	1,885,000	1,178,368	3,063,368
2023-2027	2,305,000	753,153	3,058,153
2028-2031	2,230,000	206,325	2,436,325
Total	$ 7,970,000	$ 3,658,116	$ 11,628,116

Qualified School Construction Bonds

In October 2011, the District issued $2,100,000 in Qualified School Construction Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. The outstanding principal balance at June 30, 2012, is $2,042,231.

The bonds mature through 2029, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ 114,799	$ 328,394	$ 443,193
2014	115,903	316,694	432,597
2015	117,019	304,494	421,513
2016	118,145	291,894	410,039
2017	119,282	278,794	398,076
2018-2022	613,848	1,178,368	1,792,216
2023-2027	643,958	753,153	1,397,111
2028-2029	199,277	206,325	405,602
Total	$ 2,042,231	$ 3,658,116	$ 5,700,347

Qualified Zone Academy Bonds (QZAB) Lease Purchase Agreement

On December 9, 2003, the District, pursuant to a lease purchase agreement with the Public Property Financing Corporation of California, issued $5,000,000 Qualified Zone Academy Bonds (QZAB) to provide funds to finance certain improvements, equipment, and related costs for the District's Literacy and Information Technology Academy and to pay certain costs of issuance. The Bonds mature on December 9, 2018, with the entire principal amount of $5,000,000 due at this date. The Bonds do not bear interest. In lieu of receiving periodic interest or sinking fund payments, qualified buyers will receive an annual Federal tax credit as set by the U.S. Treasury Department. Payment of principal on the Bonds is secured by an initial deposit of $2,618,141 made by the District on the date of issuance. The initial deposit, together with accrued interest earnings shall be sufficient to make the lease payment in full at maturity. As of June 30, 2012, US Bank held $3,981,258 for the lease payment.

Capital Leases

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

	School Buses
Balance, July 1, 2011	$ 4,347,829
Payments	621,121
Balance, June 30, 2012	$ 3,726,708

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2013	$ 621,118
2014	621,118
2015	621,118
2016	621,118
2017	621,118
2018	621,118
Total	3,726,708
Less: Amount Representing Interest	438,680
Present Value of Minimum Lease Payments	$ 3,288,028

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2012, include the following:

Land, buildings, and equipment	$ 5,238,519
Less: Accumulated depreciation	(2,357,334)
Total	$ 2,881,185

Amortization of leased land, buildings, and equipment under capital assets is included with depreciation expense.

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2012, amounted to $329,807.

Supplemental Employee Retirement Plan (SERP)

The District offered an early retirement incentive to qualified employees under a qualified plan of Section 401A of the Internal Revenue Code. Currently, there are 61 employees participating in this plan and the District's obligation to those retires as of June 30, 2012, is $2,485,869.

Year Ending June 30,	Payment
2013	$ 754,869
2014	754,869
2015	754,869
2016	110,631
2017	110,631
Total	$ 2,485,869

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was $50,481, and contributions made by the District during the year were $50,481. As of June 30, 2012, there was no net OPEB obligation. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Charter School Fund	Cafeteria Fund	Capital Facilities Fund
Nonspendable				
Revolving cash	$ 25,000	$ -	$ -	$ -
Stores inventories	-	-	12,871	-
Total Nonspendable	25,000	-	12,871	-
Restricted				
Legally restricted programs	1,776,540	1,698,613	994,582	-
Capital projects	-	-	-	9,756,929
Debt services	-	-	-	-
Total Restricted	1,776,540	1,698,613	994,582	9,756,929
Assigned				
Reserve for funding shortfall	4,151,146	-	-	-
Reserve for carryover	138,341	-	-	-
Total Assigned	4,289,487	-	-	-
Unassigned				
Economic uncertainties	2,371,880	-	-	-
Total	$ 8,462,907	$ 1,698,613	$ 1,007,453	$ 9,756,929

NOTE 9 - FUND BALANCES (Continued)

Fund balances are composed of the following elements:

	Capital Projects Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ -	$ -	$ -	$ 25,000
Stores inventories	-	-	-	12,871
Total Nonspendable	-	-	-	37,871
Restricted				
Legally restricted programs	-	-	-	4,469,735
Capital projects	17,868,172	-	3,920,168	31,545,269
Debt services	-	625,323	8,842,490	9,467,813
Total Restricted	17,868,172	625,323	12,762,658	45,482,817
Assigned				
Reserve for funding shortfall	-	-	-	4,151,146
Reserve for carryover	-	-	-	138,341
Total Assigned	-	-	-	4,289,487
Unassigned				
Economic uncertainties	-	-	-	2,371,880
Total	$ 17,868,172	$ 625,323	$ 12,762,658	$ 52,182,055

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Perris Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of five retirees currently receiving benefits.

Contribution Information

For fiscal year 2011-2012, the District contributed $50,841 to the Plan, all of which was used for current premiums (100 percent of total premiums).

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 50,841
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	50,841
Contributions made	50,841
Increase in net OPEB obligation	-
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	$ -

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2010	$ 50,841	$ 50,841	100%	$ -
2011	50,841	50,841	100%	-
2012	50,841	50,841	100%	-

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
June 1, 2009	$ -	$ 422,309	$ 422,309	0%	$ -	0%

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

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets; errors and omissions, injuries to employees, life and health of employees and natural disasters. The District purchases coverage for property damage with limits up to a maximum of $250,000,000, subject to various policy sublimits generally ranging from $500 to $100,000,000 and deductibles ranging from $500 to $5,000. The District also purchases coverage for general liability claims with limits up to $1,000,000 per occurrence with excess liability coverage up to $25,000,000 per occurrence and $60,000,000 in the aggregate, all subject to various deductibles up to $5,000 per occurrence. The District participates in a finite risk sharing pool for workers' compensation coverage up to $150,000,000 per occurrence with no self-insured retention. Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the Plan.

Property and Liability

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets; errors and omissions, injuries to employees, life and health of employees and natural disasters. During fiscal year ending June 30, 2012, the District pooled for property and liability coverage as a member of Riverside Schools' Insurance Authority, a Joint Powers Authority. Settlement claims have not exceeded the limits of this coverage in any of the past three years.

Workers' Compensation

For fiscal year 2012, the District participated in the Riverside Schools' Risk Management Authority (RSRMA), a workers' compensation coverage purchasing pool. The intent of RSRMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. RSRMA, in turn, pools for workers' compensation coverage through their membership in the Protected Insurance Program for Schools and Community Colleges (PIPS), a finite risk sharing pool. Pooling in this manner allows the member districts and joint powers authorities to take advantage of increased purchasing power and greater spread of risk. As a member of PIPS, RSRMA is assigned a rate based on the JPA's overall payroll and loss experience compared to the other members within PIPS. Each participant in RSRMA pays its workers' compensation premium based on its individual rate which is weighted based on their payroll and loss experience within RSRMA. This arrangement insures that each participant shares equally in the overall performance of RSRMA. Participation in RSRMA is limited to districts that can meet the selection criteria.

Employee Medical Benefits

The District is a member of the Riverside Employer/Employee Partnership (REEP) to provide employee health benefits. REEP is a shared risk pool comprised of various school districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2012, 2011, and 2010, were $2,887,236, $3,159,611, and $3,205,162, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were $2,092,825, $2,111,961, and $1,908,544, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $1,928,077 (4.855 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

The District is the chartering agency for Choice 2000 Online Charter School (the Charter School). There are currently two legal proceedings pending that could impact prior and future funding of the Charter School's operation as a seat time program. Hearings have been scheduled to determine resolution of prior and current year audit findings related to the Charter School. The District will continue to pursue a settlement and legislative options to resolve the issues prior to these hearings. The extent of potential loss to the District is unknown at this time, but based upon the prior and current year annual financial audits a preliminary estimate is $8.0 million.

Construction Commitments

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

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Heritage High School AG Center	$ 600,167	September 2012
Perris High School Stadium Expansion	68,009	October 2012
Pinacate Middle School (Phase 1)	2,669,485	October 2012
CMI Music and Science Building	2,785,981	June 2013
CMI Portable Classrooms	363,156	October 2012
	$ 6,486,798	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Riverside Schools Risk Management Authority (RSRMA), Riverside Employer/Employee Partnership (REEP), and the Riverside Schools' Insurance Authority (RSIA) public entity risk pools. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2012, the District made payments of $1,233,117, $6,549,324, and $444,919 to RSRMA, REEP, and RSIA, respectively, for its workers' compensation, health, and property liability coverage.

NOTE 15 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

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

REQUIRED SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Revenue limit sources	$ 52,057,204	$ 54,820,266	$ 54,695,987	$ (124,279)
Federal sources	4,492,060	5,501,386	4,998,559	(502,827)
Other State sources	7,809,242	8,943,448	10,995,164	2,051,716
Other local sources	4,911,854	5,619,412	6,040,932	421,520
Total Revenues [1]	69,270,360	74,884,512	76,730,642	1,846,130
EXPENDITURES				
Current				
Certificated salaries	32,230,168	33,349,689	32,602,461	747,228
Classified salaries	11,307,932	11,887,222	11,774,727	112,495
Employee benefits	15,070,643	15,943,037	17,251,200	(1,308,163)
Books and supplies	2,206,228	3,582,802	2,091,356	1,491,446
Services and operating expenditures	12,095,097	12,787,911	11,964,376	823,535
Capital outlay	4,994,657	5,294,716	5,209,789	84,927
Other outgo	(508,032)	(499,570)	(524,313)	24,743
Debt service				
Principal	156,663	481,641	481,641	-
Interest	464,456	139,478	139,478	-
Total Expenditures [1]	78,017,812	82,966,926	80,990,715	1,976,211
Excess (Deficiency) of Revenues Over Expenditures	(8,747,452)	(8,082,414)	(4,260,073)	3,822,341
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,066	1,066	-
Net Financing Sources (Uses)	-	1,066	1,066	-
NET CHANGE IN FUND BALANCES	(8,747,452)	(8,081,348)	(4,259,007)	3,822,341
Fund Balances - Beginning	12,721,914	12,721,914	12,721,914	-
Fund Balances - Ending	$ 3,974,462	$ 4,640,566	$ 8,462,907	$ 3,822,341

[1] On behalf payments of $1,928,077 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

PERRIS UNION HIGH SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Revenue limit sources	$ 5,245,268	$ 5,425,327	$ 5,510,837	$ 85,510
Federal sources	142,400	180,271	180,271	-
Other State sources	702,515	771,661	834,537	62,876
Other local sources	6,500	16,500	16,597	97
Total Revenues	6,096,683	6,393,759	6,542,242	148,483
EXPENDITURES				
Current				
Certificated salaries	3,188,614	2,944,470	2,937,377	7,093
Classified salaries	429,220	492,816	484,630	8,186
Employee benefits	961,929	1,038,030	1,058,248	(20,218)
Books and supplies	425,117	347,771	272,020	75,751
Services and operating expenditures	800,560	890,355	786,196	104,159
Capital outlay	-	(1,939)	11,431	(13,370)
Other outgo	388,736	359,122	375,295	(16,173)
Debt service				
Principal	150,000	57,769	57,769	-
Interest	-	53,935	53,936	(1)
Total Expenditures	6,344,176	6,182,329	6,036,902	145,427
Excess (Deficiency) of Revenues Over Expenditures	(247,493)	211,430	505,340	293,910
OTHER FINANCING SOURCES				
Other sources	-	-	44,640	44,640
Net Financing Uses	-	-	44,640	44,640
NET CHANGE IN FUND BALANCES	(247,493)	211,430	549,980	338,550
Fund Balances - Beginning	1,148,633	1,148,633	1,148,633	-
Fund Balances - Ending	$ 901,140	$ 1,360,063	$ 1,698,613	$ 338,550

PERRIS UNION HIGH SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Federal sources	$ 2,923,893	$ 3,086,000	$ 3,312,095	$ 226,095
Other State sources	252,483	271,000	270,433	(567)
Other local sources	686,692	698,200	697,990	(210)
Total Revenues	3,863,068	4,055,200	4,280,518	225,318
EXPENDITURES				
Current				
Classified salaries	950,584	983,129	983,117	12
Employee benefits	339,281	349,004	348,699	305
Books and supplies	1,646,313	1,924,165	1,923,242	923
Services and operating expenditures	67,000	80,970	75,162	5,808
Capital outlay	200,000	75,000	42,639	32,361
Other outgo	132,796	167,318	148,991	18,327
Debt service				
Principal	500,000	500,000	500,000	-
Interest	7,500	7,500	5,342	2,158
Total Expenditures	3,843,474	4,087,086	4,027,192	59,894
Excess (Deficiency) of Revenues Over Expenditures	19,594	(31,886)	253,326	285,212
NET CHANGE IN FUND BALANCES	19,594	(31,886)	253,326	285,212
Fund Balances - Beginning	754,127	754,127	754,127	-
Fund Balances - Ending	$ 773,721	$ 722,241	$ 1,007,453	$ 285,212

PERRIS UNION HIGH SCHOOL DISTRICT

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
June 1, 2009	$ -	$ 422,309	$ 422,309	0%	$ -	0%

SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Education - Basic Grants to States Cluster:			
Adult Basic Education - Adult Basic Education and ESL	84.002A	14508	$ 29,426
Adult Basic Education - Adult Secondary	84.002	13978	70,983
Total Adult Education - Basic Grants to States Cluster			100,409
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education	84.048	14894	158,980
Passed through Riverside County Special Education Local Plan Area:			
Individuals With Disabilities Act (IDEA)			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,174,483
Basic Local Assistance ARRA, Part B, Section 611	84.391	15003	27,139
Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	95,196
Total Special Education (IDEA) Cluster			1,296,818
No Child Left Behind Act (NCLB)			
Title I, Part A - Basic Grants Low Income and Neglected Reallocation Funds	84.010	14981	1,612,783
Education Jobs Fund (SB 847)	84.410	25152	1,184,100
ARRA - State Fiscal Stabilization Fund (SFSF)	84.394	25008	90,317
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330	14831	17,655
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	404,382
Education Technology State Grants Cluster:			
Title II, Part D - Enhancing Education Through Technology (EETT), Formula Grants	84.318	14334	1,215
Title II, Part D - ARRA Enhancing Education Through Technology (EETT), Formula Grants	84.386	15019	12,702
Total Education Technology State Grants Cluster			13,917
Title III Cluster:			
Title III - Immigrant Education Program	84.365	15146	11,504
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	115,857
Total Title III Cluster			127,361
Safe and Supportive Schools Programmatic Intervention (S3)	84.184	15164	152,567
Total U.S. Department of Education			5,159,289

See accompanying note to supplementary information.

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	$ 603,852
National School Lunch Program	10.555	13524	2,476,409
Meal Supplement	10.555	13396	5,564
Food Distribution	10.555	13524	226,270
Total Child Nutrition Cluster			3,312,095
Total U.S. Department of Agriculture			3,312,095
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	75,855
Total U.S. Department of Defense			75,855
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	7,458
Medical Administrative Activities Program	93.778	10060	100,386
Total Medicaid Cluster			107,844
Total U.S. Department of Health and Human Services			107,844
Total Federal Programs			$ 8,655,083

[1] Direct funded program, Pass-Through Entity Identifying Number not applicable.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2012

ORGANIZATION

The Perris Union High School District was incorporated on August 23, 1897, and consists of an area comprising approximately 179 square miles. The District operates one middle school, three high schools, a continuation school, a community day school, two charter schools, and an adult education school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Eric F. Kroencke	President	2012
Joan D. Cooley	Vice President	2012
Randy Williams	Clerk	2012
Carolyn A. Twyman	Member	2014
William F. Hulstrom	Member	2014

ADMINISTRATION

Dr. Jonathan Greenberg	Superintendent
Candace Reines	Assistant Superintendent, Business Services
Marcy Savage	Assistant Superintendent, Educational Services
Leslie Ventuleth	Chief Human Resources Officer
Tina Daigneault	Director of Fiscal Services

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

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

	Final Report	
	Second Period Report	Annual Report
ELEMENTARY		
Seventh and eighth	1,109	1,109
Special education	9	9
Community day school	8	10
Total Elementary	1,126	1,128
SECONDARY		
Regular classes	7,353	7,304
Continuation education	357	343
Home and hospital	5	5
Special education	73	71
Community day school	55	56
Total Secondary	7,843	7,779
Total K-12	8,969	8,907
CHARTER SCHOOLS		
California Military Institute - Total [1]		
Fourth through sixth	172	171
Seventh and eighth	287	287
Ninth through twelfth	322	319
Total	781	777
California Military Institute - Classroom-based		
Fourth through sixth	172	171
Seventh and eighth	287	287
Ninth through twelfth	322	319
Total	781	777
Choice 2000 Online High School - Total (100 percent non-classroom based)		
Ninth through twelfth	198	204
Choice 2000 On-Line - Classroom-based		
Ninth through twelfth	-	-

[1] California Military Institute did not operate a non-classroom based program.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

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

District

Grade Level	1982-83 Actual Minutes	1982-83 Reduced Minutes	1986-87 Minutes Requirement	1986-87 Reduced Minutes Requirement	2011-12 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 7 - 8	59,200	55,253	54,000	50,400				
Grade 7					57,982	175	N/A	Complied
Grade 8					57,982	175	N/A	Complied
Grades 9 - 12	55,332	51,643	64,800	60,480				
Grade 9					63,366	175	N/A	Complied
Grade 10					63,366	175	N/A	Complied
Grade 11					63,366	175	N/A	Complied
Grade 12					63,366	175	N/A	Complied

California Military Institute

Grade Level	1982-83 Actual Minutes	1982-83 Reduced Minutes	1986-87 Minutes Requirement	1986-87 Reduced Minutes Requirement	2011-12 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 7 - 8	*	*	54,000	50,400				
Grade 7					64,270	177	N/A	Complied
Grade 8					64,270	177	N/A	Complied
Grades 9 - 12	*	*	64,800	60,480				
Grade 9					64,310	177	N/A	Complied
Grade 10					64,310	177	N/A	Complied
Grade 11					64,310	177	N/A	Complied
Grade 12					64,310	177	N/A	Complied

The California Military Institute was not operating in 82-83.

Choice 2000 Online High School

California *Education Code* Section 46201(a) states this schedule does not apply to independent study programs, accordingly, such schedule has not been presented.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

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

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

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

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

	(Budget) 2013 [1]	2012	2011	2010
GENERAL FUND				
Revenues	$ 69,106,850	$ 76,730,642	$ 76,183,686	$ 75,572,214
Other sources	-	1,066	5,368,947	-
Total Revenues and Other Sources	69,106,850	76,731,708	81,552,633	75,572,214
Expenditures	73,384,001	80,990,715	80,018,014	79,794,586
INCREASE (DECREASE) IN FUND BALANCE	$ (4,277,151)	$ (4,259,007)	$ 1,534,619	$ (4,222,372)
ENDING FUND BALANCE	$ 4,185,756	$ 8,462,907	$ 12,721,914	$ 11,187,295
AVAILABLE RESERVES [2]	$ 2,324,389	$ 2,371,880	$ 2,440,965	$ 3,124,001
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	3.17%	3.00%	3.11%	4.00%
LONG-TERM OBLIGATIONS	N/A	$ 82,993,848	$ 101,198,729	$ 99,796,252
K-12 AVERAGE DAILY ATTENDANCE AT P-2 [4]	8,921	8,969	9,004	9,022

The General Fund balance has decreased by $2,724,388 over the past two years. The fiscal year 2012-2013 budget projects a further decrease of $4,277,151 (50.54 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2012-2013 fiscal year. Total long-term obligations have decreased by $16,802,404 over the past two years.

Average daily attendance has decreased by 53 over the past two years. Additional decline of 48 ADA is anticipated during fiscal year 2012-2013.

[1] Budget 2013 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all funds designated for economic uncertainty contained within the General Fund.
[3] On behalf payments of $1,928,077, $1,654,254, and $1,694,563, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2012, 2011, and 2010, respectively.
[4] Excludes Adult Education and Charter School ADA.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2012

Name of Charter School	Included in Audit Report
California Military Institute	Yes
Choice 2000 On-Line High School	Yes

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

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

	Adult Education Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	$ 4,173	$ 212,242	$ 3,367,704
Receivables	52,359	877	44,454
Due from other funds	-	-	458,485
Total Assets	$ 56,532	$ 213,119	$ 3,870,643
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 2,969	$ 157,019	$ 6,575
Due to other funds	53,563	-	-
Total Liabilities	56,532	157,019	6,575
Fund Balances:			
Restricted	-	56,100	3,864,068
Total Liabilities and Fund Balances	$ 56,532	$ 213,119	$ 3,870,643

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	QZAB Fund	Debt Service Fund	Total Non-Major Governmental Funds
$ -	$ 4,245,314	$ 3,981,258	$ 615,309	$ 12,426,000
-	-	-	609	98,299
-	-	-	-	458,485
$ -	$ 4,245,314	$ 3,981,258	$ 615,918	$ 12,982,784
$ -	$ -	$ -	$ -	$ 166,563
-	-	-	-	53,563
-	-	-	-	220,126
-	4,245,314	3,981,258	615,918	12,762,658
$ -	$ 4,245,314	$ 3,981,258	$ 615,918	$ 12,982,784

PERRIS UNION HIGH SCHOOL DISTRICT

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

	Adult Education Fund	Building Fund	County School Facilities Fund
REVENUES			
Federal sources	$ 100,409	$ -	$ -
Other State sources	-	-	1,773,177
Other local sources	-	10,693	12,752
Total Revenues	100,409	10,693	1,785,929
EXPENDITURES			
Current			
Instruction	90,108	-	-
Instruction-related activities:			
School site administration	6,738	-	-
Plant services	3,563	-	-
Facility acquisition and construction	-	2,852,123	1,773,177
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	100,409	2,852,123	1,773,177
Excess (Deficiency) of Revenues Over Expenditures	-	(2,841,430)	12,752
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCES	-	(2,841,430)	12,752
Fund Balances - Beginning	-	2,897,530	3,851,316
Fund Balances - Ending	$ -	$ 56,100	$ 3,864,068

See accompanying note to supplementary information.

Special Reserve Fund For Capital Outlay Projects	Bond Interest and Redemption Fund	QZAB Fund	Debt Service Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 100,409
-	58,369	-	-	1,831,546
-	3,833,094	165,979	3,427	4,025,945
-	3,891,463	165,979	3,427	5,957,900
-	-	-	-	90,108
-	-	-	-	6,738
-	-	-	-	3,563
-	-	-	-	4,625,300
-	1,685,000	-	-	1,685,000
-	1,907,794	-	-	1,907,794
-	3,592,794	-	-	8,318,503
-	298,669	165,979	3,427	(2,360,603)
-	-	-	2,065,000	2,065,000
(1,066)	-	-	(3,451,553)	(3,452,619)
(1,066)	-	-	(1,386,553)	(1,387,619)
(1,066)	298,669	165,979	(1,383,126)	(3,748,222)
1,066	3,946,645	3,815,279	1,999,044	16,510,880
$ -	$ 4,245,314	$ 3,981,258	$ 615,918	$ 12,762,658

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of ARRA - State Fiscal Stabilization Funds and Medi-Cal Administrative Activities Program funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, Medi-Cal Billing Option funds have been recorded in the current period as revenues that have not been expended as of June 30, 2012. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		$ 8,591,334
ARRA - State Fiscal Stabilization Funds (SFSF)	84.394	90,317
Medi-Cal Billing Option	93.778	(27,205)
Medi-Cal Administrative Activities Program	93.778	637
Total Schedule of Expenditures of Federal Awards		$ 8,655,083

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District's audit.

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

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

INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Perris Union High School District
Perris, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perris Union High School District as of and for the year ended June 30, 2012, which collectively comprise Perris Union High School District's basic financial statements and have issued our report thereon dated October 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 22, 2012

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

Governing Board
Perris Union High School District
Perris, California

Compliance

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

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

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

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Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 22, 2012

vtd

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

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Perris Union High School District
Perris, California

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

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

In our opinion, Perris Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2012, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Not Applicable
Independent study	23	No, See Below
Continuation education	10	Yes

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	Procedures in Audit Guide	Procedures Performed
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program (including in charter schools):		
General requirements	7	Not Applicable
Option one classes	3	Not Applicable
Option two classes	4	Not Applicable
Districts or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	3	Yes
Mode of instruction	1	Yes
Non classroom-based instruction/independent study	15	No, See Below
Determination of funding for non classroom-based instruction	3	No, See Below
Annual instruction minutes classroom based	4	Yes

We did not perform testing for independent study because ADA was below the level required for testing. Additionally, we did not perform testing for Non-Classroom Based Instruction/Independent Study, and Determination of Funding for Non-Classroom Based Instruction due to the online interactive nature of the program and the lack of Independent Study accounting records.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 22, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRIS UNION HIGH SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No
Identification of major programs:	

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
93.778	Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Type of auditors' report issued on compliance for State programs:	Unqualified
Unqualified for all programs except for the following program which was qualified:	

Name of Program
Choice 2000 Online High School Attendance

PERRIS UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

None reported.

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

None reported.

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

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2012-1 40000

CHOICE 2000 ONLINE HIGH SCHOOL

Criteria or Specific Requirements

The California Code of Regulations, Title 5, pursuant to Section 47612.5 of the California *Education Code* and in compliance with Article 5.5 Section 51745 through 51749.3 of the California *Education Code* requires that a Non-Classroom Based Charter Program utilize Independent Study attendance accounting procedures.

Questioned Costs

Independent study regulations must be followed to account for attendance in a "non-classroom based" charter program, therefore, all 168.70 ADA reported by the school for 2011-2012 should be considered non-allowable for funding purposes. Per the certified June 15, 2012, Second Principal Apportionment, the total General Purpose Entitlement Funding was $1,035,987 at $6,141 x 168.70 ADA for grades 9 through 12, and the Categorical per ADA Block Grant Funding was $67,111, at $500 per ADA, adjusted by the State proration factor.

Context

The questioned costs were based upon testing of the attendance records at the Choice 2000 Online High School.

Effect

Due to the application of regular seat time attendance procedures instead of independent study attendance accounting, Choice 2000 Online High School is not in compliance with referenced guidelines.

Cause

Choice 2000 Online Charter, a non-classroom based charter school has been in operation since 1994. The school has been utilizing contemporaneous attendance records and a course bell schedule, similar to that of a classroom based high school.

Recommendation

The California Code of Regulation, Title 5, pursuant to Section 47612.5 of the California *Education Code* and in compliance with Article 5.5 Section 51745 through 51749.3 of the California *Education Code* requires that a non-classroom based charter program utilize Independent Study attendance accounting procedures. In order to avoid future penalty, we recommend that the District establish procedures of attendance accounting to be in compliance with the California *Education Code*.

Corrective Action Plan

The District will continue to work with legal counsel through the appeals process. The District believes Choice 2000 complied with all legal requirements governing the educational program being provided at Choice 2000, and therefore, believes ADA should be allowable for funding purposes. Choice 2000 has acted in good faith at all times to comply with the conditions established in law or regulation necessary for apportionment of funding.

PERRIS UNION HIGH SCHOOL DISTRICT

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

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

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2011-1 40000

CHOICE 2000 ONLINE HIGH SCHOOL

Finding

The California Code of Regulations, Title 5, pursuant to Section 47612.5 of the California *Education Code* and in compliance with Article 5.5 Section 51745 through 51749.3 of the California *Education Code* requires that a Non-Classroom Based Charter Program utilize Independent Study attendance accounting procedures.

Questioned Costs

Independent Study regulations must be followed to account for attendance in a "non-classroom based" charter program, therefore, all 182.13 ADA reported by the school for 2010-2011 should be considered non-allowable for funding purposes. Per the certified June 15, 2011, Second Principal Apportionment, the total General Purpose Entitlement Funding was $1,112,999 at $5,306 x 8 ADA for grades 7 and 8, and $6,148 x 174.13 ADA for grades 9 through 12, and the Categorical per ADA Block Grant Funding was $75,070, at $500 per ADA, adjusted by the State proration factor.

Context

The questioned costs were based upon testing of the attendance records at the Choice 2000 Online High School.

Effect

Due to the application of regular seat time attendance procedures instead of Independent Study attendance accounting, Choice 2000 Online High School is not in compliance with referenced guidelines.

Cause

Choice 2000 Online Charter, a non-classroom based charter school has been in operation since 1994. The school has been utilizing contemporaneous attendance records and a course bell schedule, similar to that of a classroom based high school.

Recommendation

The California Code of Regulation, Title 5, pursuant to Section 47612.5 of the California *Education Code* and in compliance with Article 5.5 Section 51745 through 51749.3 of the California *Education Code* requires that a non-classroom based charter program utilize Independent Study attendance accounting procedures. In order to avoid future penalty, we recommend that the District establish procedures of attendance accounting to be in compliance with the California Education Code.

Current Status

Not implemented, see current year finding 2012-1

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds, Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the Perris Union High School District, proposes to render their final approving opinion with respect to the Bonds in substantially the following form:

Board of Trustees of the
Perris Union High School District
155 East Fourth Street
Perris, Ca 92570

Re: $35,000,000 Perris Union High School District
General Obligation Bonds, 2012 Election, Series A
Final Opinion

Ladies and Gentlemen:

We have acted as Bond Counsel for the Perris Union High School District ("District") in connection with the proceedings for the issuance and sale by the District of $35,000,000 principal amount of Perris Union High School District General Obligation Bonds, 2012 Election, Series A ("Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of Education of the District, adopted on May 15, 2013 (Resolution No. 33:12-13) ("District Resolution"), and a resolution adopted by the Board of Supervisors of the County of Riverside ("County"), adopted on June 4, 2013 ("County Resolution" and, collectively with the District Resolution, the "Bond Resolution"), in accordance with the provisions of the California Constitution, the statutory authority set forth in Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the State of California Government Code, commencing with Section 53506, California Education Code Sections 15264, 15266(b), and, as applicable, the provisions of Title 1, Division 1, Part 10, Chapters 1 and 1.5 of the California Education Code, commencing with Section 15100 and related California law.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the District, the County and the purchaser of the Bonds, including certificates as to factual matters, including, but not limited to, the Tax Certificate, as we have deemed necessary to render this opinion.

Attention is called to the fact the we have not been requested to examine, and have not examined, any documents or information relating to the District or the County other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been, or may be, supplied to any purchaser of the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution, the Tax Certificate and in certain other documents, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

The Bond Resolution and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to the effect on any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than ourselves.

Based on the foregoing, we are of the following opinions:

1. The Bonds are valid and binding general obligations of the District.

2. All taxable property in the territory of the District is subject to *ad valorem* taxation without limitation as to rate or amount (except as to certain classes of personal property which is taxable at limited rates) to pay the Bonds. The County is required by law to include in its annual tax levy the principal of and interest coming due on the Bonds to the extent necessary funds are not provided from other sources.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations; although, it should be noted that, with respect to corporations, such interest will be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations. We express no opinion regarding other tax consequences arising with respect to the Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies, to the application of equitable principles heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases and to limitations on legal remedies against school districts in the State of California.

Very truly yours,

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Perris Union High School District (the "District") in connection with the issuance of $35,000,000 of the District's General Obligation Bonds, 2012 Election, Series A (the "Bonds"). The Bonds are being issued pursuant to resolutions of the District, adopted on May 15, 2013, and the Board of Supervisors of Riverside County, adopted on June 4, 2013 (collectively, the "Resolution"). The District covenants and agrees as follows:

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

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

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

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

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

"Holders" shall mean registered owners of the Bonds.

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

"Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated.

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

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

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2012-13 Fiscal Year, provide to the Participating Underwriter and to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 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 date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

SECTION 4. Content and Form of Annual Reports.

(a) The District's Annual Report shall contain or include by reference the following:

(i) The audited financial statements of the District for the prior fiscal year, 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 time the Annual Report is required to be filed pursuant to Section 3(a), 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.

(ii) The District's approved annual budget for the then-current fiscal year.

(iii) Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(A) Assessed value of taxable property in the District as shown on the most recent equalized assessment roll;

(B) If Riverside County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the property tax levies, collections, and delinquencies for the District for the most recently completed fiscal year.

(C) Top ten property owners in the District for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable assessed value, and their percentage of total secured assessed value, if material.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

(i) principal and interest payment delinquencies.

(ii) tender offers.

(iii) defeasances.

(iv) rating changes.

(v) the issuance by the Internal Revenue Service of adverse tax opinions or proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

(vi) unscheduled draws on the debt service reserves reflecting financial difficulties.

(vii) unscheduled draws on credit enhancement reflecting financial difficulties.

(viii) substitution of the credit or liquidity providers or their failure to perform.

(ix) bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) non-payment related defaults.

(ii) modifications to rights of Bondholders.

(iii) optional, contingent or unscheduled bond calls.

(iv) unless described under Section 5(a)(v) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

(v) release, substitution or sale of property securing repayment of the Bonds.

(vi) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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.

(vii) Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. <u>Termination of Reporting Obligation</u>. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. <u>Dissemination Agent</u>. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. 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) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. 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 Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolutions, 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 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriters, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

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

Dated: August 6, 2013

PERRIS UNION HIGH SCHOOL DISTRICT

By ____

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: PERRIS UNION HIGH SCHOOL DISTRICT

Name of Bond Issue: General Obligation Bonds, 2012 Election, Series A

Date of Issuance: August 6, 2013

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

Dated:_______________________

PERRIS UNION HIGH SCHOOL DISTRICT

By ______[form only; no signature required]_________

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR RIVERSIDE COUNTY, THE CITY OF MENIFEE AND THE CITY OF PERRIS

The District covers approximately 182 square miles in the northwestern part of Riverside County (the "County"). A majority of the City of Perris ("Perris") and all of the City of Menifee ("Menifee" and, together with Perris, the "Cities") lies within the District's boundaries. The following economic data for the Cities and the County are presented for information purposes only, to describe the general economic health of the region. However, the Bonds are not a debt of the Cities nor of the County.

General

The County is the fourth largest county in the State of California (the "State"), encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County, incorporated in 1893, is a general law county with its County seat located in the city of Riverside. Perris is bordered by the Interstate 215 freeway and Highway 74. Menifee is located in the south central portion of the County north of Murrieta, west of Hemet, east of Canyon Lake and southeast of Perris.

Population

The following table summarizes population estimates for the Cities, County and State of California (the "State") from 2000 through 2013. Over the past fourteen years, the number of County residents grew by over 45%, at an average compound growth rate of 2.7%.

POPULATION ESTIMATES
City of Menifee, City of Perris, County of Riverside, and State of California
2000-2013

Year[1]	City of Menifee[3]	City of Perris	County of Riverside	State of California
2000[2]	--	36,189	1,545,387	33,873,086
2001	--	37,785	1,589,708	34,256,789
2002	--	39,844	1,655,291	34,725,516
2003	--	42,045	1,730,219	35,163,609
2004	--	46,634	1,814,485	35,570,847
2005	--	50,650	1,895,695	35,869,173
2006	--	54,439	1,975,913	36,116,202
2007	--	59,014	2,049,902	36,399,676
2008	--	63,041	2,102,741	36,704,375
2009	75,707	65,422	2,140,626	36,966,713
2010[2]	77,519	68,386	2,189,641	37,253,956
2011	79,139	69,506	2,205,731	37,427,946
2012	80,831	70,391	2,234,193	37,668,804
2013	82,292	70,963	2,255,059	37,966,471

(1) As of January 1.
(2) As of April 1.
(3) Statistics prior to the October 2008 incorporation of Menifee are unavailable.
Source: 2000, 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2001-09, 2011-13 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

Personal Income

The following tables summarize personal income and per capita personal income for the County, State and United States from 2000 through 2011.

PER CAPITA PERSONAL INCOME
Riverside County, State of California, and United States of America
2000-2011

Year	Riverside County	% Annual Change	State of California	% Annual Change	United States of America	% Annual Change
2000	24,528	--	$33,404	--	$30,319	--
2001	25,586	4.3%	33,896	1.5%	31,157	2.8%
2002	25,854	1.0	34,049	0.5	31,481	1.0
2003	26,528	2.6	34,975	2.7	32,295	2.6
2004	27,416	3.3	36,887	5.5	33,909	5.0
2005	28,563	4.2	38,731	5.0	35,452	4.6
2006	30,039	5.2	41,518	7.2	37,725	6.4
2007	30,720	2.3	43,211	4.1	39,506	4.7
2008	30,842	0.4	44,003	1.8	40,947	3.6
2009	28,865	(6.4)	41,034	(6.7)	38,637	(5.6)
2010	29,029	0.6	41,893	2.1	39,791	3.0
2011	29,927	3.1	43,647	4.2	41,560	4.4

Note: Per capita personal income was computed using Census Bureau midyear population estimates. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the civilian labor force, employment and unemployment for the Cities, County and State during calendar years 2007 through 2012.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Menifee, City of Perris, County of Riverside, and State of California
2007-2012

Year	Area	Labor Force	Employment[(1)]	Unemployment[(2)]	Unemployment Rate[(3)]
2007	City of Menifee	22,700	21,200	1,500	6.5%
	City of Perris	18,700	16,900	1,800	9.7
	County of Riverside	903,400	848,900	54,500	6.0
	State of California	17,970,800	17,011,000	959,800	5.3
2008	City of Menifee	23,000	20,900	2,100	9.1%
	City of Perris	19,200	16,600	2,600	13.4
	County of Riverside	912,100	834,700	77,400	8.5
	State of California	18,251,600	16,938,300	1,313,200	7.2
2009	City of Menifee	23,200	19,800	3,300	14.3%
	City of Perris	19,900	15,800	4,200	20.0
	County of Riverside	916,600	793,600	123,000	13.4
	State of California	18,250,200	16,163,900	2,086,200	11.4
2010	City of Menifee	23,700	20,000	3,700	15.5%
	City of Perris	20,000	15,500	4,500	22.4
	County of Riverside	913,800	779,500	134,300	14.7
	State of California	18,316,400	16,051,500	2,264,900	12.4
2011	City of Menifee	23,700	20,300	3,500	14.7%
	City of Perris	20,400	16,100	4,300	21.1
	County of Riverside	939,600	810,400	129,200	13.7
	State of California	18,404,500	16,237,300	2,167,200	11.7
2012	City of Menifee	23,800	20,700	3,100	13.1%
	City of Perris	20,300	16,500	3,800	18.9
	County of Riverside	944,500	828,800	115,600	12.2
	State of California	18,494,900	16,560,300	1,934,500	10.5

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from un-rounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: *U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2012 Benchmark.*

Industry

The following table summarizes the annual average industry employment statistics for the County between 2007 and 2011.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
County of Riverside
2007-2011

	2007	2008	2009	2010	2011
Farm	13,000	13,100	12,400	12,400	12,800
Mining, Logging and Construction	700	500	500	400	400
Manufacturing	54,400	48,400	39,000	37,900	39,000
Wholesale Trade	21,100	20,400	18,700	19,100	19,900
Retail Trade	88,000	84,900	78,800	78,500	79,400
Transportation, Warehousing and Utilities	20,900	21,200	19,700	19,400	20,300
Information	7,800	7,700	8,500	10,200	9,600
Financial Activities	23,000	22,300	20,700	19,300	18,300
Professional and Business Services	63,000	58,000	53,600	50,300	52,700
Education and Health Services	56,900	58,100	57,900	58,000	61,600
Leisure and Hospitality	73,700	72,800	68,700	67,700	69,300
Other Services	20,100	19,400	18,100	18,300	19,000
Government	108,800	110,600	109,300	109,200	112,200
Total All Industries	620,200	592,000	546,300	536,000	548,800

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

Largest Employers

The following tables list the largest employers in the County and Cities as of June 30, 2012.

LARGEST EMPLOYERS
County of Riverside
2012

	Employer	Description	Number of Employees	% of Total County Employees
1.	County of Riverside	County Government	19,150	2.10%
2.	March Air Reserve Base	Military	9,000	2.10
3.	Stater Brothers Market	Grocery retail	6,900	2.10
4.	University of California at Riverside	Higher education and research university	5,790	2.10
5.	WalMart	General retail	5,360	2.10
6.	Corona-Norco Unified School District	Primary & Secondary Education	4,686	0.52
7.	Kaiser Permanente Riverside Med. Center	Hospital and healthcare	4,000	0.52
8.	Pechanga Resort & Casino	Gaming casino and recreation	4,000	0.52
9.	Riverside Unified School District	Primary & Secondary Education	3,796	0.52
10.	Moreno Valley Unified School District	Primary & Secondary Education	3,500	0.52

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

LARGEST EMPLOYERS
City of Menifee
2012

	Employer	Description	Number of Employees	% of Total City Employees
1.	Mt. San Jacinto Community Coll. District	Post-secondary education	1,043	27.46%
2.	Perris Union High School District	Secondary education	778	20.48
3.	Case Shella Management Services	Respite care	456	12.01
4.	Menifee Valley Medical Center	Hospital and healthcare	344	9.06
5.	Romoland Elementary School District	Primary education	244	6.42
6.	Southern California Edison	Electrical supply public utility	218	5.74
7.	Menifee Union School District	Primary education	200	5.27
8.	United States Parcel Service	Freight and parcel shipping	200	5.27
9.	Super Target	General retail	180	4.74
10.	Lowe's	Home improvement retail	135	3.55

Source: City of Menifee 'Comprehensive Annual Financial Report' for the year ending June 30, 2012.

LARGEST EMPLOYERS
City of Perris
2012

	Employer	Description	Number of Employees	% of Total City Employees
1.	Ross Stores Inc.	Department store	1,400	7.76%
2.	Starcrest	Hospital and healthcare	1,000	5.54
3.	Lowe's H1W Inc.	Distribution center	900	4.99
4.	Perris Union High School District	Secondary education	786	4.36
5.	Hanes	Distribution center	650	3.60
6.	Eastern Municipal Water District	Water and sewage services	602	3.34
7.	Whirlpool	Distribution center	580	3.21
8.	WalMart	General retail	300	1.66
9.	Coreslab Structures	Concrete manufacturing	250	1.39
10.	Albertsons	Grocery retail	200	1.11

Source: City of Perris 'Comprehensive Annual Financial Report' for the year ending June 30, 2012.

Retail Trade

Taxable sales in the County and the Cities for years 2005 through 2011 are shown in the following tables.

TAXABLE SALES
County of Riverside
2005-2011
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions ($000's)	Total Permits	Total Outlets Taxable Transactions ($000's)
2005	22,691	$20,839,212	44,222	$28,256,491
2006	23,322	21,842,345	43,672	29,816,237
2007	22,918	21,242,516	45,279	29,023,609
2008	23,604	18,689,249	46,272	26,003,595
2009	29,829	16,057,488	42,765	22,227,877
2010	32,534	16,919,500	45,688	23,152,780
2011	33,398	18,576,285	46,886	25,641,497

Note: In 2009, retail permits expanded to include permits for food services.
Source: Taxable Sales in California (Sales & Use Tax), California Board of Equalization.

TAXABLE SALES
City of Menifee
2009-2011[1]
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions ($000's)	Total Permits	Total Outlets Taxable Transactions ($000's)
2009	523	299,505	719	343,867
2010	548	330,547	749	370,469
2011	606	379,704	840	421,545

(1) Statistics prior to the October 2008 incorporation of Menifee are unavailable.
Note: In 2009, retail permits expanded to include permits for food services.
Source: Taxable Sales in California (Sales & Use Tax), California Board of Equalization.

TAXABLE SALES
City of Perris
2006-2011
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions ($000's)	Total Permits	Total Outlets Taxable Transactions ($000's)
2005	478	330,152	784	503,921
2006	503	363,181	804	579,848
2007	492	362,403	829	554,129
2008	495	350,027	842	562,025
2009	626	319,096	849	489,591
2010	784	337,392	1,037	516,944
2011	806	368,329	1,075	584,313

Note: In 2009, retail permits expanded to include permits for food services.
Source: Taxable Sales in California (Sales & Use Tax), California Board of Equalization.

Construction Activity

Provided below are the building permits and valuations for the County and Cities for years 2008 through 2012.

BUILDING PERMITS AND VALUATIONS
County of Riverside
2008-2012
(Dollars in Thousands)

	2008	2009	2010	2011	2012
Valuation ($000's)					
Residential	$1,576,984	$1,053,694	$1,079,637	$873,411	$885,473
Nonresidential	1,041,813	376,819	539,379	559,398	526,369
Total Valuation	$2,618,797	$1,430,513	$1,619,016	$1,432,809	$1,411,842
New Dwelling Units					
Single-Family	3,815	3,431	4,031	2,659	2,981
Multi-Family	2,104	759	526	1,061	560
Total:	5,919	4,190	4,557	3,720	3,541

Note: Columns may not add to totals due to rounding.
Source: Construction Industry Research Board for calendar years 2008-2010; California Homebuilding Foundation for calendar years 2011-2012.

BUILDING PERMITS AND VALUATIONS
City of Menifee
2008-2012
(Dollars in Thousands)

	2008[(1)]	2009	2010	2011	2012
Valuation ($000's)					
Residential	N/A	$84,131	$105,011	$73,507	$83,322
Nonresidential		3,872	22,596	12,037	1,631
Total Valuation		$88,003	$127,607	$85,544	$84,953
New Dwelling Units					
Single-Family	N/A	332	399	283	359
Multi-Family		0	0	0	0
Total:		332	399	283	359

(1) Statistics prior to the October 2008 incorporation of Menifee are unavailable.
Note: Columns may not add to totals due to rounding.
Source: Construction Industry Research Board for calendar years 2008-2010; California Homebuilding Foundation for calendar years 2011-2012.

BUILDING PERMITS AND VALUATIONS
City of Perris
2008-2012
(Dollars in Thousands)

	2008	2009	2010	2011	2012
Valuation ($000's)					
Residential	$16,879	$20,505	$24,672	$10,929	$12,511
Nonresidential	23,364	3,173	3,320	54,095	227,287
Total Valuation	$40,243	$23,678	27,992	$65,024	$239,798
New Dwelling Units					
Single-Family	117	176	207	49	43
Multi-Family	0	0	0	60	84
Total:	117	176	207	109	127

Note: Columns may not add to totals due to rounding.
Source: Construction Industry Research Board for calendar years 2008-2010; California Homebuilding Foundation for calendar years 2011-2012.

APPENDIX E

RIVERSIDE COUNTY POOLED INVESTMENT FUND

The following information concerning the Riverside County Investment Pool (the "Investment Pool") has been provided by the Treasurer-Tax Collector of Riverside County and has not been confirmed or verified by the District or the Underwriter. No representation is made by the District or Underwriter as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof, or that any information contained or incorporated therein by reference is correct as of any time subsequent to its date.

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RIVERSIDE COUNTY POOLED INVESTMENT FUND

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of June 30, 2013, the portfolio assets comprising the PIF had a market value of $4,955,274,812.46.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2012, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory deposits constituted approximately 67.82% of the funds on deposit in the County Treasury, while approximately 32.18% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions to participate in the County's PIF, the desire of the County Treasurer is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2013 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The investments in the Treasurer's Pooled Investment Fund as of June 30, 2013 were as follows:

U.S. Treasury Securities	$615,148,436.38	12.38%
Federal Agency Securities	$3,450,440,563.84	69.42%
Cash Equivalent & Money Market Funds	$499,000,000.00	10.04%
Commercial Paper	$239,907,125.00	4.83%
Medium Term Notes	-	0.00%
Municipal Notes	$39,770,000.00	0.80%
Certificates of Deposit	$125,000,000.00	2.52%
Repurchase Agreements	-	0.00%
Local Agency Obligations (1)	$485,000.00	0.01%
	$4,969,751,125.22	100.00%

Book Yield	0.39%
Weighted Average Maturity (years)	1.41

(1) Represents County Obligations issued by the Riverside District Court Financing Corporation.

As of June 30, 2013, the market value of the PIF was 99.71% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board has established an “Investment Oversight Committee” in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County’s investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. This committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of “AAA-bf” from Moody’s Investors Service and “AAA/V1” rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), 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 AGM, 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 AGM shall have received Notice of Nonpayment, AGM 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 AGM, 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM 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, AGM 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 AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM 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 AGM 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 AGM 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.

AGM 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 AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM 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 AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM 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 AGM 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 AGM, 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 MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ____________________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc. (212) 826-0100
31 West 52nd Street, New York, N.Y. 10019

Form 500NY (5/90)

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PERRIS UNION HIGH SCHOOL DISTRICT (RIVERSIDE COUNTY, CALIFORNIA) • GENERAL OBLIGATION BONDS, 2012 ELECTION, SERIES A

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