NEW ISSUE – FULL BOOK-ENTRY

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

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Tax-Exempt Bonds with certain covenants contained in the Resolution authorizing the Tax-Exempt Bonds and subject to the matters set forth under "TAX MATTERS – Tax Exempt Bonds" herein, interest on the Tax-Exempt Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Tax-Exempt Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as described herein, corporations. See "TAX MATTERS – Tax Exempt Bonds" herein. Interest on the Taxable Bonds will be included in gross income. See "TAX MATTERS – Taxable Bonds."

$77,998,237.95
CARLSBAD UNIFIED SCHOOL DISTRICT
SAN DIEGO COUNTY, CALIFORNIA

$52,998,237.95
2006 ELECTION GENERAL OBLIGATION BONDS
2011 SERIES C
(the "Tax-Exempt Bonds")

$25,000,000
2006 ELECTION GENERAL OBLIGATION BONDS
2011 SERIES D
QUALIFIED SCHOOL CONSTRUCTION BONDS
(TAXABLE DIRECT SUBSIDY BONDS)
(the "Taxable Bonds")

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

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds are authorized by an election conducted within the Carlsbad Unified School District (the "District") on November 7, 2006, as more fully described herein under the caption "THE BONDS – Authority for Issuance and Security for the Bonds" and are being issued to finance the construction, acquisition, furnishing and equipping of District facilities, and to pay certain costs of issuance associated therewith, as more fully described herein under the caption "THE PROJECT." The Bonds are the third and fourth series of bonds issued under the Authorization. The Bonds are issued on a parity with all other general obligation bonds of the District.

The Tax-Exempt Bonds are being issued as current interest bonds (the "Current Interest Bonds"), capital appreciation bonds (the "Capital Appreciation Bonds") and capital appreciation bonds that will convert to current interest bonds (the "Convertible CABs"). The Bonds will mature on the dates and in the amounts and bear or accrete interest at the rates shown on the inside cover hereof. Interest on the Tax-Exempt Bonds that are Current Interest Bonds is payable commencing February 1, 2012, and semiannually thereafter on February 1 and August 1 of each year. The Capital Appreciation Bonds will not bear Current Interest but will increase in value by the accumulation of earned interest from their initial principal amounts on the date of delivery thereof to their respective accreted values at maturity (the "Maturity Value"). Interest on the Capital Appreciation Bonds will be compounded on each February 1 and August 1, commencing August 1, 2011, and will be payable solely at maturity as part of the Maturity Value.

The Convertible CABs are initially being issued as Capital Appreciation Bonds and will convert to Current Interest Bonds on August 1, 2021 with respect to the Convertible CABs maturing on August 1, 2031, and on August 1, 2026, with respect to the Convertible CABs maturing on August 1, 2035 (collectively, the "Conversion Date"). Prior to the Conversion Date, the Convertible CABs will not bear current interest, but will increase in value by the accumulation of earned interest from their initial principal amounts on the date of delivery thereof to their respective accreted values at the Conversion Date (the "Conversion Value"). Prior to the Conversion Date, interest on the Convertible CABs will be compounded on each February 1 and August 1, commencing August 1, 2011. No payment of interest will be made to the owners of Convertible CABs prior to or on the Conversion Date. From and after the Conversion Date, the Convertible CABs will bear current interest, such interest to accrue based upon the Conversion Value of the Convertible CABs. Following the Conversion Date, interest on the Convertible CABs will be payable semiannually on each February 1 and August 1, commencing February 1, 2022 with respect to the Convertible CABs maturing August 1, 2031, and February 1, 2027 with respect to the Convertible CABs maturing on August 1, 2035.

The Taxable Bonds are being issued as current interest bonds (the "Current Interest Bonds") and interest on the Taxable Bonds accrues from their date of delivery and is payable on February 1 and August 1 of each year, commencing February 1, 2012. The Taxable Bonds are designated as "qualified school construction bonds" as defined in Section 54F of the Internal Revenue Code of 1986, as amended (the "Code") and the District has made the irrevocable election to receive a direct subsidy (the "Subsidy Payments") to be paid to the District by the United States Department of the Treasury (the "Treasury"), in an amount equal to the lower of the interest payment on the Taxable Bonds or the tax credit rate announced by Treasury on the date of sale of the Taxable Bonds.

The Bonds will be issued in book-entry form only, in denominations with a principal amount, Maturity Value or Conversion Value, respectively, of $5,000 or integral multiples thereof. The Bonds will be initially registered in the name of the nominee of The Depository Trust Company ("DTC"). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by the Treasurer-Tax Collector of the County of San Diego, as Paying Agent, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Bonds. See "APPENDIX F: BOOK-ENTRY ONLY SYSTEM" herein.

Certain of the Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Redemption" herein.

MATURITY SCHEDULE
(See Inside Cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriters subject to the approval of legality by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, and certain other conditions. Fulbright & Jaworski L.L.P., Los Angeles, California, is acting as Disclosure Counsel for the issue. Certain legal matters will be passed upon for the Underwriters by their counsel, Nossaman LLP, Irvine, California. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about June 21, 2011.

Piper Jaffray & Co. **RBC CAPITAL MARKETS**

Dated: June 7, 2011

MATURITY SCHEDULE

$52,998,237.95
2006 ELECTION GENERAL OBLIGATION BONDS
2011 SERIES C

$16,685,000
CURRENT INTEREST BONDS

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP No. (142665)†
2014	$1,315,000	5.000%	0.910%	CR7
2015	875,000	4.000	1.230	CS5
2016	435,000	4.000	1.470	CT3
2018	100,000	3.000	2.280	CV8
2019	545,000	5.000	2.570	CW6
2020	1,050,000	4.000	2.760	CX4
2021	1,590,000	5.000	2.930	CY2
2022	830,000	4.500	3.280*	CZ9
2023	1,425,000	4.750	3.490*	DA3
2024	2,085,000	5.000	3.700*	DB1
2025	2,810,000	5.000	3.860*	DC9
2026	3,625,000	5.000	3.990*	DD7

* Yield to first call date of August 1, 2021.

$3,255,389.45
CAPITAL APPRECIATION BONDS

Maturity (August 1)	Initial Principal Amount	Accretion Rate (approximate)	Maturity Value	Yield to Maturity	CUSIP[(1)] (142665)
2012	$1,799,917.65	6.62%	$1,935,000	0.900%	CQ9
2013	1,455,471.80	6.62	1,670,000	1.440	DG0

$33,057,848.50
CONVERTIBLE CAPITAL APPRECIATION TERM BONDS

Maturity (August 1)	Initial Principal Amount	Accretion Rate	Conversion Value	Conversion Date (August 1)	Coupon Upon Conversion	CUSIP[(1)] (142665)
2031	$12,135,498.90	6.125%	$22,335,000	2021	6.125%	DE5
2035	20,922,349.60	6.625	56,020,000	2026	6.625	DF2

[(1)] 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 business on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriters nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

$25,000,000
2006 ELECTION GENERAL OBLIGATION BONDS
SERIES D
QUALIFIED SCHOOL CONSTRUCTION BONDS
(TAXABLE DIRECT SUBSIDY BONDS)

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[(1)] (142665)
2021	$12,500,000	4.584%	4.584%	DH8
2026	12,500,000	5.234	5.234	DJ4

---

(1) 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 business on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriters nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriters. 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 a representation of facts.

The information set forth herein has been obtained from official sources that 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 Underwriters. The information and expression 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, unless authorized in writing by the District.

The Bonds have not been registered under the Securities Act of 1933, in reliance upon an exemption contained in such Act. The Bonds have not been registered under the securities laws of any state.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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 (the "Exchange Act"), and Section 27A of the United States Securities Act of 1933, as amended (the "Securities Act"). Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

CARLSBAD UNIFIED SCHOOL DISTRICT
County of San Diego, California

District Administrators

John A. Roach, Ed.D., Superintendent
Nancy Navarro, Director, Fiscal Services
Devin Vodicka, Assistant Superintendent, Business Services
Lucy Haines, Director, Curriculum and Instruction
Torrie Norton, Assistant Superintendent, Personnel Services

SPECIAL SERVICES

Underwriters

Piper Jaffray & Co.
El Segundo, California

RBC Capital Markets, LLC
Los Angeles, California

Bond Counsel and Disclosure Counsel

Fulbright & Jaworski L.L.P.
Los Angeles, California

Paying Agent

San Diego County
Treasurer-Tax Collector

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

$77,998,237.95
CARLSBAD UNIFIED SCHOOL DISTRICT
SAN DIEGO COUNTY, CALIFORNIA

$52,998,237.95 **2006 ELECTION GENERAL OBLIGATION BONDS** **2011 SERIES C** **(the "Tax-Exempt Bonds")**	**$25,000,000** **2006 ELECTION GENERAL OBLIGATION BONDS** **2011 SERIES D** **QUALIFIED SCHOOL CONSTRUCTION BONDS** **(TAXABLE DIRECT SUBSIDY BONDS)** **(the "Taxable Bonds")**

INTRODUCTION

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, the 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 the Bonds to potential investors is made only by means of the entire Official Statement.

This Official Statement, which includes the cover and inside cover pages and appendices hereto, is provided to furnish information in connection with the sale of the $52,998,237.95 aggregate principal amount of Carlsbad Unified School District 2006 Election General Obligation Bonds, 2011 Series C (the "Tax-Exempt Bonds") and $25,000,000 aggregate principal amount of Carlsbad Unified School District 2006 Election General Obligation Bonds, 2011 Series D, Qualified School Construction Bonds (Taxable Direct Subsidy Bonds) (the "Taxable Bonds," and together with the Tax-Exempt Bonds, the "Bonds") under and pursuant to a bond authorization (the "Authorization") for the issuance and sale of not more than $198,000,000 of general obligation bonds approved by more than 55% of the qualified voters of the Carlsbad Unified School District (the "District") voting on the proposition at a general election held on November 7, 2006 (the "Election"). The Bonds are the third and fourth series of bonds issued under the Authorization, under which $119,998,016.85 aggregate principal amount of bonds have been issued. The Bonds will be the final series of Bonds issued under the Authorization. The Bonds are issued on a parity with all general obligation bonds of the District. The Bonds are authorized by a resolution adopted on April 27, 2011 (the "District Resolution") by the Board of Trustees of the District and issued pursuant to a Paying Agent Agreement, dated as of June 1, 2011 (the "Paying Agent Agreement"), by and between the District and the Treasurer-Tax Collector of the County of San Diego, as paying agent (the "Paying Agent"). The Taxable Bonds have been designated by the District as "qualified school construction bonds" pursuant to Section 54F of the Internal Revenue Code of 1986, as amended (the "Code"). The District has received an allocation sufficient for the issuance of the Taxable Bonds from the California Department of Education. The District has also irrevocably elected to make the Taxable Bonds eligible for payment of refundable tax credit payments from the federal government to the District (the "Subsidy Payments") in an amount equal to interest payable on the Taxable Bonds calculated at the lower of the interest rate on the Taxable Bonds or the tax credit rate announced by Treasury on the date of sale of the Taxable Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" below.

The District

The Carlsbad Unified School District, a unified school district of the State of California (the "State"), was established in 1921, and is located in the northwestern portion of San Diego County (the "County"). The District covers approximately 30.2 square miles, and provides kindergarten through twelfth grade education services in nine elementary schools, three middle schools, one high school and one alternative school. The District's average daily attendance for fiscal year 2010-11 is estimated at 10,611, and the District has a 2010-11 assessed valuation of $16,861,926,678. See "CARLSBAD UNIFIED SCHOOL DISTRICT."

Description of the Bonds

Payments.

The Tax-Exempt Bonds may be issued as Current Interest Bonds, Capital Appreciation Bonds or Convertible CABs. Interest on the Tax-Exempt Bonds that are Current Interest Bonds is payable commencing February 1, 2012, and semiannually thereafter on February 1 and August 1 of each year (each, an "Interest Payment Date") The Capital Appreciation Bonds will not bear current interest but will increase in value by the accumulation of earned interest from their initial principal amounts on the date of delivery thereof to their respective accreted values at maturity (the "Maturity Value"). Interest on the Capital Appreciation Bonds will be compounded on each February 1 and August 1, commencing August 1, 2011, and will be payable solely at maturity.

The Convertible CABs will initially be issued as Capital Appreciation Bonds and will convert to Current Interest Bonds on August 1, 2021 with respect to the Convertible CABs maturing on August 1, 2031, and on August 1, 2026, with respect to the Convertible CABs maturing on August 1, 2035 (collectively, the "Conversion Date"). Prior to the Conversion Date, the Convertible CABs will not bear current interest but will increase in value by the accumulation of earned interest from their initial principal amounts on the date of delivery thereof to their respective accreted values at the Conversion Date (the "Conversion Value"). Prior to the Conversion Date, interest on the Convertible CABs will be compounded on each February 1 and August 1, commencing August 1, 2011. No payment of interest will be made to the registered owners (the "Owners") of Convertible CABs prior to or on the Conversion Date. From and after the Conversion Date, the Convertible CABs will bear current interest, such interest to accrue based upon the Conversion Value of the Convertible CABs. Following the Conversion Date, interest on the Convertible CABs will be payable semiannually on each February 1 and August 1, commencing February 1, 2022 with respect to the Convertible CABs maturing August 1, 2031, and February 1, 2027 with respect to the Convertible CABs maturing on August 1, 2035.

The Taxable Bonds will be issued as Current Interest Bonds and interest on the Taxable Bonds accrues from their date of delivery, payable semiannually on each Interest Payment Date, commencing February 1, 2012.

Principal or Maturity Value of the Bonds is payable when due upon surrender of the Bonds at the office of the Paying Agent. References herein to payment of principal of the Bonds includes payment of principal of the Current Interest Bonds at their maturity, payment of the Maturity Value of Capital Appreciation Bonds and payment of the Conversion Value of the Convertible CABs at their maturity. As long as DTC (defined below) 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. The Bonds mature on August 1 in the years indicated on the inside cover page hereof.

Denomination and Registration; Use of Book Entry System. The Bonds will be issued in fully registered form only, without coupons, and will be issued in denominations that have principal amounts, Maturity Values or Conversion Values of $5,000 or any integral multiple thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Owners will not receive physical certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. See “THE BONDS – General Provisions” and “APPENDIX E: BOOK-ENTRY ONLY SYSTEM.”

Redemption. The Tax-Exempt Bonds that are Current Interest Bonds are subject to optional redemption prior to their stated maturity dates. The Capital Appreciation Bonds are not subject to redemption prior to their respective state maturity dates. The Convertible CABs are subject to optional redemption prior to their stated maturity dates. The Taxable Bonds are subject to extraordinary mandatory redemption and extraordinary optional redemption prior to their maturity dates. See “THE BONDS – Redemption” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their validity by Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about June 21, 2011.

Continuing Disclosure

The District has covenanted for the benefit of the Owners (including beneficial owners of the Bonds) to provide certain financial information and operating data relating to the District (the “Annual Report”) by a date not later than nine months following the end of the District’s fiscal year (which ends June 30), commencing with the report for the 2010-11 Fiscal Year (which is due no later than March 31, 2012), and to provide notices of the occurrence of certain enumerated events, if material. During the past five years, the District has not failed to comply, in all material respects, with any previous undertaking under Securities and Exchange Commission Rule 15c2-12 to provide annual reports or notices of material events. *See* “APPENDIX D: FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Estimated Sources and Uses of Funds

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

Sources of Funds	**Tax-Exempt Bonds**	**Taxable Bonds**	**Total**
Principal Amount of Bonds	$52,998,237.95	$25,000,000.00	$77,998,237.95
Original Issue Premium	2,120,542.80	0	2,120,542.80
Total Sources	$55,118,780.75	$25,000,000.00	$80,118,780.75
Uses of Funds			
Deposit to Building Fund	$52,858,933.48	$24,933,670.72	$77,792,604.20
Underwriters’ Discount(1)	529,982.38	0	529,982.38
Deposit to Debt Service Fund	1,340,560.42	0	1,340,560.42
Deposit to Costs of Issuance Account(2)	389,304.47	66,329.28	455,633.75
Total Uses	$55,118,780.75	$25,000,000.00	$80,118,780.75

(1) In lieu of an Underwriter’s discount on the Taxable Bonds, at closing RBC Capital Markets, LLC, as representative for the Taxable Bonds, will receive an underwriting fee from the original issue premium received on the Tax-Exempt Bonds.

(2) Includes payment of legal fees, Paying Agent fees, rating and printing fees and other costs of issuance.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to an authorization granted by the qualified voters in the District at an election held on November 7, 2006. The Bonds are issued pursuant to the provisions of the Government Code of the State (the "Government Code"), commencing at Section 53508.7, and Sections 15140 and 15146 of the Education Code of the State (the "Education Code") and other applicable law, and pursuant to the District Resolution authorizing the issuance of not to exceed $78,001,983.15 of general obligation bonds on behalf of the District. Under a resolution of the Board of Supervisors of the County of San Diego, adopted May 24, 2011 (the "County Resolution"), the County authorized the District to issue general obligation bonds on its own behalf pursuant to Section 15140(b) of the Education Code. The Paying Agent will also enter into that certain Filing Agent Agreement, dated as of June 1, 2011 (the "Filing Agent Agreement"), with the District, under which the Paying Agent agrees to undertake certain duties with respect to the Subsidy Payments, as Filing Agent (in such capacity, the "Filing Agent").

The Taxable Bonds are issued pursuant to the same provisions of the Government Code and the Education Code, in addition to Section 54F of the Code and other applicable law, and pursuant to the District Resolution and the Paying Agent Agreement. The District received a $25,000,000 allocation of qualified school construction bonds from the California Department of Education. The District has designated the Taxable Bonds as qualified school construction bonds under the Code.

Pursuant to the portions of the Recovery Act adopted in 2010, the District has made an irrevocable election pursuant to section 6431(f)(3)(B) of the Code to receive the Subsidy Payments from the federal government for each interest payment made with respect to the Taxable Bonds. Upon an Accountable Event of Loss of Qualified School Construction Bond Status, as defined below, the District would no longer be entitled to receive the Subsidy Payments. See "SECURITY AND SOURCES OF PAYMENT – Subsidy Payments."

Tax-Exempt Bonds.

Current Interest Bonds. Certain of the Tax-Exempt Bonds are issued as Current Interest Bonds. Interest on the Current Interest Bonds is payable commencing February 1, 2012, and semiannually thereafter on February 1 and August 1 of each year. The Bonds issued as Current Interest Bonds shall be issued in fully registered form, without coupons, in denominations of $5,000 or any integral multiple thereof.

Interest on each Current Interest Bond shall accrue from its dated date. Interest on Current Interest Bonds shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date. Interest with respect to each Current Interest Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on January 15, 2012, in which event interest with respect thereto shall be payable from its Dated Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event interest shall be payable from its dated date; provided, however, that if at the time of registration of any Current Interest Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest on the Current Interest Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 or more of such Current Interest Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Current Interest Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Capital Appreciation Bonds. Certain of the Tax-Exempt Bonds are issued as Capital Appreciation Bonds. The Capital Appreciation Bonds shall not bear current interest. Each Capital Appreciation Bond shall increase in value by the accumulation of earned interest from its initial principal amount on the date of issuance thereof to its stated accreted value at maturity as set forth in the Table of Accreted Values of Capital Appreciation Bonds attached hereto as APPENDIX F. Interest on the Capital Appreciation Bonds shall accrue at the rates set forth on the inside cover hereof, computed on the basis of a 360-day year comprised of twelve (12) 30-day months, shall be compounded commencing on August 1, 2011, and semiannually thereafter on February 1 and August 1 in each year and shall be payable only upon maturity.

The Capital Appreciation Bonds shall be issued as fully registered bonds in denominations of $5,000 accreted value at maturity (the "Maturity Value") or any integral multiple thereof, except that the first numbered Capital Appreciation Bond may be issued in a denomination such that the maturity value of such Capital Appreciation Bond shall not be an integral multiple of $5,000. Each Capital Appreciation Bond shall be dated the date of its initial delivery and shall mature on the date and in the Maturity Value set forth on the inside cover page hereto.

The Maturity Value of the Capital Appreciation Bonds shall be payable in lawful money to the Owner thereof upon the surrender thereof at the office of the Paying Agent. So long as Cede & Co. or its registered assigns shall be the registered owner of any of the Capital Appreciation Bonds, payment shall be made to Cede & Co. by wire transfer as provided in the Paying Agent Agreement.

Convertible CABs. Certain of the Tax-Exempt Bonds will be issued as Convertible CABs. Prior to August 1, 2021 with respect to the Convertible CABs maturing on August 1, 2031, and on August 1, 2026, with respect to the Convertible CABs maturing on August 1, 2035 (the "Conversion Date"), the Convertible CABs shall not bear current interest. Prior to the Conversion Date, each Convertible CAB shall increase in value by the accumulation of earned interest from its initial principal amount on the date of issuance thereof to its stated accreted value at the Conversion Date, as set forth in the Table of Accreted Values of Convertible CABs attached hereto as APPENDIX F. Prior to the Conversion Date, interest on the Convertible CABs shall be computed on the basis of a 360-day year comprised of twelve (12) 30-day months, shall be compounded commencing on August 1, 2011, and semiannually thereafter on February 1 and August 1 in each year. No interest shall be payable on any Convertible CAB prior to or on the Conversion Date. Following the Conversion Date, interest on the Convertible CABs shall be computed based upon the Conversion Value and on the basis of a 360-day year comprised of twelve (12) 30-day months and shall be payable on each Interest Payment Date, commencing February 1, 2022 with respect to the Convertible CABs maturing August 1, 2031, and February 1, 2027 with respect to the Convertible CABs maturing on August 1, 2035. Following the Conversion Date, each Convertible CAB shall bear interest and be payable in the same manner as the Current Interest Bonds.

The Convertible CABs shall be issued as fully registered bonds in denominations of $5,000 Conversion Value and any integral multiple thereof. Each Convertible CAB shall be dated the date of its initial delivery and shall mature on the date and at the Conversion Value set forth on the inside cover hereof.

Taxable Bonds.

The Taxable Bonds will be issued as Current Interest Bonds. Interest on the Taxable Bonds accrues from their date of delivery and is payable on February 1 and August 1 of each year, commencing February 1, 2012. Interest on the Taxable Bonds shall be computed on the basis of a 360-day year of twelve (12) 30-day months. The Taxable Bonds are issuable in denominations of $5,000 or any integral multiple thereof and will mature on August 1 in the years and amounts set forth on the inside cover page hereof.

General Provisions

The Bonds are issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Interest on and principal or Maturity Value of the Bonds are payable in lawful money of the United States of America. Principal is payable when due upon surrender of the Bonds at the principal office of the Paying Agent. For information about the securities depository and DTC's book-entry system, see "APPENDIX E: BOOK-ENTRY ONLY SYSTEM."

The principal of the Bonds is payable to the Owners upon the surrender thereof at the principal office of the Paying Agent in San Diego, California. The interest on the Current Interest Bonds and, after the Conversion Date, on the Convertible CABs is payable in lawful money 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 Record Date therefor, whether or not such day is a business day, such interest to be paid by check or draft mailed on such Interest Payment Date to such registered owner at such registered owner's address as it appears on such registration books or at such address as the registered owner may have filed with the Paying Agent for that purpose. The Paying Agent, the District, the County and the Underwriters of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, or interest in the Bonds. The interest payments on the Current Interest Bonds and, after the Conversion Date, the Convertible CABs may be made by wire transfer to any registered owner of at least $1,000,000 of outstanding principal of the Current Interest Bonds or $1,000,000 of the Maturity Value or Conversion Value of the Capital Appreciation Bonds or the Convertible CABs, respectively, who has requested in writing such method of payment of interest on the Bonds prior to the close of business on the applicable Record Date.

Registration, Transfer and Exchange of Bonds. Any Bond may be exchanged for Bonds of like tenor, maturity and 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.

Redemption

Tax-Exempt Bonds.

Current Interest Bonds. The Current Interest Bonds maturing on or before August 1, 2021, are not subject to redemption prior to their stated maturity dates. The Current Interest Bonds maturing on and after August 1, 2022 may be redeemed before maturity, at the option of the District, from any source of available funds, in whole or in part on any date on or after August 1, 2022, at par, together with interest accrued thereon to the date of redemption, without premium.

Capital Appreciation Bonds. The Capital Appreciation Bonds are not subject to optional or mandatory sinking fund redemption prior to their respective stated maturities.

Convertible CABs. The Convertible CABs are not subject to optional redemption prior to their respective stated maturities.

The Series C Convertible Capital Appreciation Term Bonds maturing on August 1, 2031 shall be subject to mandatory sinking fund redemption in part by lot on August 1 in each of the years and in the respective accreted values as set forth in the following schedule at a redemption price equal to the accreted value thereof, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Payment Date (August 1)	**Redemption Value at Conversion**
2027	$2,475,000
2028	3,375,000
2029	4,365,000
2030	5,455,000
2031 (Maturity)	6,665,000

The Series C Convertible Capital Appreciation Term Bonds maturing on August 1, 2035 shall be subject to mandatory sinking fund redemption in part by lot on August 1 in each of the years and in the respective accreted values as set forth in the following schedule at a redemption price equal to the accreted value thereof, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Payment Date (August 1)	**Redemption Value at Conversion**
2032	$ 8,000,000
2033	12,115,000
2034	13,950,000
2035 (Maturity)	21,955,000

Taxable Bonds.

Extraordinary Mandatory Redemption from Unexpended Proceeds of the Taxable Bonds. The Taxable Bonds are subject to extraordinary mandatory redemption, in whole or in part, on June 21, 2014, in authorized denominations, at a redemption price equal to the principal amount of the Taxable Bonds called for redemption, in an amount equal to the unexpended proceeds of the sale of the Taxable Bonds held by the District, but only to the extent that the District fails to expend all of the proceeds of the Taxable Bonds for Qualified Purposes as required by Section 54F of the Code within three years of issuance thereof, or if an extension of the period for expenditure has been granted by the Service, by the end of such period.

Extraordinary Optional Redemption. Upon the occurrence of an Extraordinary Event (as defined below), the Taxable Bonds are subject to Redemption, at the option of the District, prior to their maturity date, in whole or in part, on the date designated by the District, at the Make-Whole Redemption Price.

The "Make-Whole Redemption Price" means the amount equal to the greater of the following:

1. the initial offering price of the Taxable Bonds set forth on the inside cover page hereof (but not less than 100% of the principal amount of the Taxable Bonds to be redeemed); or

2. the sum of the present value of the remaining scheduled payments of principal and interest on the Taxable Bonds to be redeemed to the maturity date of such Taxable Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Taxable Bonds are to be redeemed, discounted to the date on which the Taxable Bonds are to be redeemed on a semiannual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate, plus 100 basis points, plus, in each case, accrued interest on the Taxable Bonds to be redeemed to the redemption date.

The term "Accountable Event of Loss of Qualified School Construction Bond Status" means (a) any act or any failure to act on the part of the District, which act or failure to act is a breach of a covenant or agreement of the District contained in the District Resolution, Paying Agent Agreement, the Tax Certificate regarding the issuance of the Taxable Bonds, or the Taxable Bonds and which act or failure to act causes the Taxable Bonds to lose their status, or fail to qualify, as Qualified School Construction Bonds, or (b) the making by the District of any representation contained in the District Resolution, Paying Agent Agreement, said Tax Certificate or the Taxable Bonds, which representation was untrue when made and the untruth of which representation at such time causes the Taxable Bonds to lose their status, or fail to qualify, as Qualified School Construction Bonds under the Code.

The term "Date of Loss of Qualified School Construction Bond Status" means the date specified in a Determination of Loss of Qualified School Construction Bond Status as the date from and after which the Taxable Bonds lost their status, or failed to qualify, as Qualified School Construction Bonds as a result of an Accountable Event of Loss of Qualified School Construction Bond Status, which date could be as early as the date of issuance of the Taxable Bonds.

The term "Determination of Loss of Qualified School Construction Bond Status" means (a) a final determination by the Service (after the District has exhausted all administrative appeal remedies) determining that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status, or (b) a non-appealable holding by a court of competent jurisdiction holding that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status.

The term "Extraordinary Event" means (a) a final determination by the Internal Revenue Service ("IRS") (after the District has exhausted all administrative appeal remedies) determining that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status; (b) a non-appealable holding by a court of competent jurisdiction holding that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status; (c) the occurrence of a material adverse change under Section 54A, 54F or 6431 of the Code; (d) the publication by the IRS or the United States Treasury of any guidance with respect to such sections; or (e) any other determination by the IRS or the United States Treasury, which determination is not the result of a failure of the District to satisfy certain requirements of the Paying Agent Agreement, if as a result of an event as described in (c), (d), or (e) of this definition, the Subsidy Payments expected to be received with respect to the Taxable Bonds are eliminated or reduced, as reasonably determined by the Superintendent of the District or his designee, which determination shall be conclusive.

The term "Treasury Rate" means, for the purpose of determining the Make-Whole Redemption Price, with respect to any prepayment date for particular Taxable Bonds, the yield to maturity as of such prepayment date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) (the "Statistical Release") that has become publicly available at least two Business Days prior to the redemption date (excluding inflation-indexed securities) (or, if the Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Taxable Bonds to be redeemed; provided, however that if the period from the prepayment date to the maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

Partial Redemption of Taxable Bonds. If less than all of the Taxable Bonds of any given maturity are called for redemption, the portions of Bonds of a given maturity to be redeemed shall be determined by the Paying Agent on a *pro rata* basis subject to authorized denominations; provided that, so long as the Taxable Bonds are held in book-entry form the selection for redemption of such Taxable Bonds shall be made in accordance with the operational arrangements of DTC then in effect on the basis of a *pro rata* pass-through distribution of principal, and, if the DTC operational arrangements do not allow for redemption on such basis, the Taxable Bonds will be selected for redemption, in accordance with DTC procedures, by lot. The portion of any Taxable Bond to be redeemed in part shall be in the Principal Amount of $5,000 or any integral multiple thereof.

It is the District's intent that redemption allocations made by DTC be made on the basis of a *pro rata* pass-through distribution of principal as described above. However, neither the District nor the Underwriters can provide any assurance that DTC, DTC's Direct and Indirect Participants or any other intermediary will allocate the redemption of the Taxable Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Taxable Bonds on the basis of a *pro rata* pass-through distribution of principal as described above, then the Taxable Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

If the Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Bonds shall be allocated among the Owners of such Bonds on a *pro rata* basis.

Notice of Redemption

Notice of redemption for the Bonds will be mailed postage prepaid not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Agreement. See "APPENDIX D: FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

The actual receipt by any Owner of notice of such redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

When notice of redemption has been given, substantially as described above, and when the amount necessary for the payment of principal of and premium, if any, is set aside for such purpose, the Bonds designated for redemption will become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at said redemption price out of the money provided therefor, and interest will cease to accrue on such Bonds called for redemption after the redemption date specified in such notice, and the registered owners of said Bonds so called for redemption after such redemption date will look for the payment of such Bonds and the premium thereon only to such money provided therefor.

Conditional Notice of Redemption

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

Rescission of Notice

The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Bonds so called for redemption. 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.

Debt Service Schedule

The following table summarizes the debt service requirements of the District for the Bonds and its other outstanding general obligation bond issues (the "Outstanding Bonds"):

Bond Year Ending May 1 or August 1[1]	Outstanding Bonds	The Tax-Exempt Bonds Principal	The Tax-Exempt Bonds Interest	The Tax-Exempt Bonds Compounded Interest	The Taxable Bonds[2] Principal	The Taxable Bonds[2] Interest	Total Debt Service
2011	$ 8,405,450.00	$ --	$ --	$ --	$ --	$ --	$ 8,405,450.00
2012	8,913,119.00	1,799,917.65	889,930.56	135,082.35	--	1,363,611.11	13,101,660.67
2013	9,469,138.00	1,455,471.80	800,937.50	214,528.20	--	1,227,250.00	13,167,325.50
2014	10,117,275.00	1,315,000.00	800,937.50	--	--	1,227,250.00	13,460,462.50
2015	11,033,713.00	875,000.00	735,187.50	--	--	1,227,250.00	13,871,150.50
2016	12,040,213.00	435,000.00	700,187.50	--	--	1,227,250.00	14,402,650.50
2017	13,108,963.00	--	682,787.50	--	--	1,227,250.00	15,019,000.50
2018	13,749,963.00	100,000.00	682,787.50	--	--	1,227,250.00	15,760,000.50
2019	14,034,863.00	545,000.00	679,787.50	--	--	1,227,250.00	16,486,900.50
2020	14,324,350.00	1,050,000.00	652,537.50	--	--	1,227,250.00	17,254,137.50
2021	14,620,925.00	1,590,000.00	610,537.50	--	12,500,000.00	1,227,250.00	30,548,712.50
2022	14,928,512.50	830,000.00	1,899,056.26	--	--	654,250.00	18,311,818.76
2023	15,245,800.00	1,425,000.00	1,861,706.26	--	--	654,250.00	19,186,756.26
2024	12,171,500.00	2,085,000.00	1,794,018.76	--	--	654,250.00	16,704,768.76
2025	12,439,550.00	2,810,000.00	1,689,768.76	--	--	654,250.00	17,593,568.76
2026	12,698,137.50	3,625,000.00	1,549,268.76	--	12,500,000.00	654,250.00	31,026,656.26
2027	12,986,475.00	1,344,766.50	5,079,343.76	1,130,233.50	--	--	20,540,818.76
2028	13,262,050.00	1,833,772.50	4,927,750.00	1,541,227.50	--	--	21,564,800.00
2029	13,557,700.00	2,371,679.10	4,721,031.26	1,993,320.90	--	--	22,643,731.26
2030	13,876,338.00	2,963,919.70	4,453,675.00	2,491,080.30	--	--	23,785,013.00
2031	14,195,038.00	3,621,361.10	4,119,556.26	3,043,638.90	--	--	24,979,594.26
2032	14,526,400.00	2,987,840.00	3,711,325.00	5,012,160.00	--	--	26,237,725.00
2033	9,647,800.00	4,524,710.20	3,181,325.00	7,590,289.80	--	--	24,944,125.00
2034	9,863,300.00	5,210,046.00	2,378,706.26	8,739,954.00	--	--	26,192,006.26
2035	--	8,199,753.40	1,454,518.76	13,755,246.60	--	--	23,409,518.76
Total	$299,216,573.00	$52,998,237.95	$50,056,668.16	$45,646,762.05	$25,000,000.00	15,680,111.11	$488,598,352.27

[1] The Bond Year for certain of the Outstanding Bonds ends August 1 and for certain other Outstanding Bonds the Bond Year ends May 1. The Bond Year for the Bonds ends August 1.

[2] The net debt service requirements for the Taxable Bonds (taking into account the Subsidy Payments) are set forth below.

The following table summarizes the net debt service requirements for the District for the Taxable Bonds:

Taxable Bonds

Interest Payment Date	Interest	Annual Set-Aside Principal Amount	Total Gross Debt Service	Interest and Sinking Fund Balance[1]	Less Direct Subsidy	Property Tax Levy[2]	Deposit to Sinking Fund
08/01/11				$1,340,560.42			
02/01/12	$ 749,986.11	–	$ 749,986.11	590,574.31	$ (735,166.67)	--	$735,166.67
08/01/12	613,625.00	$ 1,666,666.62	2,280,291.62	1,325,740.98	(601,500.00)	$ 353,050.64	–
02/01/13	613,625.00	–	613,625.00	--	(601,500.00)	12,125.00	–
08/01/13	613,625.00	1,666,666.67	2,280,291.67	--	(601,500.00)	1,678,791.67	–
02/01/14	613,625.00	–	613,625.00	--	(601,500.00)	12,125.00	–
08/01/14	613,625.00	1,666,666.67	2,280,291.67	--	(601,500.00)	1,678,791.67	–
02/01/15	613,625.00	–	613,625.00	--	(601,500.00)	12,125.00	–
08/01/15	613,625.00	1,666,666.67	2,280,291.67	--	(601,500.00)	1,678,791.67	–
02/01/16	613,625.00	–	613,625.00	--	(601,500.00)	12,125.00	–
08/01/16	613,625.00	1,666,666.67	2,280,291.67	--	(601,500.00)	1,678,791.67	–
02/01/17	613,625.00	–	613,625.00	--	(601,500.00)	12,125.00	–
08/01/17	613,625.00	1,666,666.67	2,280,291.67	--	(601,500.00)	1,678,791.67	–
02/01/18	613,625.00	–	613,625.00	--	(601,500.00)	12,125.00	–
08/01/18	613,625.00	1,666,666.67	2,280,291.67	--	(601,500.00)	1,678,791.67	–
02/01/19	613,625.00	–	613,625.00	--	(601,500.00)	12,125.00	–
08/01/19	613,625.00	1,666,666.67	2,280,291.67	--	(601,500.00)	1,678,791.67	–
02/01/20	613,625.00	–	613,625.00	--	(601,500.00)	12,125.00	–
08/01/20	613,625.00	1,666,666.67	2,280,291.67	--	(601,500.00)	1,678,791.67	–
02/01/21	613,625.00	–	613,625.00	--	(601,500.00)	12,125.00	–
08/01/21	613,625.00	1,666,666.67	2,280,291.67	--	(601,500.00)	1,678,791.67	–
02/01/22	327,125.00	–	327,125.00	--	(315,000.00)	12,125.00	–
08/01/22	327,125.00	1,666,666.67	1,993,791.67	--	(315,000.00)	1,678,791.67	–
02/01/23	327,125.00	–	327,125.00	--	(315,000.00)	12,125.00	–
08/01/23	327,125.00	1,666,666.67	1,993,791.67	--	(315,000.00)	1,678,791.67	–
02/01/24	327,125.00	–	327,125.00	--	(315,000.00)	12,125.00	–
08/01/24	327,125.00	1,666,666.67	1,993,791.67	--	(315,000.00)	1,678,791.67	–
02/01/25	327,125.00	–	327,125.00	--	(315,000.00)	12,125.00	–
08/01/25	327,125.00	1,666,666.67	1,993,791.67	--	(315,000.00)	1,678,791.67	–
02/01/26	327,125.00	–	327,125.00	--	(315,000.00)	12,125.00	–
08/01/26	327,125.00	1,666,666.67	1,993,791.67	--	(315,000.00)	1,678,791.67	–
	$15,680,111.11	$25,000,000.00	$40,680,111.11		$(15,313,666.67)	$24,025,884.02	

(1) Funded at issuance from premium generated by Series C (Tax-Exempt) which closed along with Series D on June 21, 2011.

(2) Column does not take into account reserves levied by the County to account for property tax delinquencies under Section 15250 of the Education Code.

Set-Aside Deposits with Respect to Taxable Bonds

The County will deposit into the Debt Service Fund of the District from ad valorem taxes levied upon all property subject to taxation by the District with respect to the Taxable Bonds, the following amounts, which amounts are to be applied to the payment of the principal amount of the Taxable Bonds maturing on August 1, 2021 and August 1, 2026, at maturity, as follows:

Taxable Bonds

Set-Aside Principal Payment Date	Annual Set-Aside Principal Amount
08/01/12	$1,666,666.62
08/01/13	1,666,666.67
08/01/14	1,666,666.67
08/01/15	1,666,666.67
08/01/16	1,666,666.67
08/01/17	1,666,666.67
08/01/18	1,666,666.67
08/01/19	1,666,666.67
08/01/20	1,666,666.67
08/01/21	1,666,666.67
08/01/22	1,666,666.67
08/01/23	1,666,666.67
08/01/24	1,666,666.67
08/01/25	1,666,666.67
08/01/26	1,666,666.67

Defeasance

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or Defeasance Securities (defined below), in an amount which will, together with the interest to accrue thereon and available monies then on deposit in the interest and sinking fund of the District, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates. In such event, the Owners of such Bonds shall cease to be entitled to the obligation of the District to levy taxes for the payment thereof, and such obligation and all agreements and covenants of the District and of the County to such Owners under the Resolution and under the Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest and premium, if any, represented by the Bonds, but only out of monies on deposit in the interest and sinking fund or otherwise held in trust for such payment.

"Defeasance Securities" means (i) direct, non-callable obligations of the United States Treasury; (ii) direct non-callable and non-prepayable obligations which are unconditionally guaranteed by the United States of America as to full and timely payment of principal and interest; (iii) non-callable, non-prepayable coupons from the above securities which are stripped pursuant to United States Treasury programs; (iv) non-callable and non-prepayable (or irrevocably called to a specified redemption date) refunded municipal bonds that are backed by an escrow funded with obligations of or guaranteed by the United States of America; (v) Resolution Funding Corporation (REFCORP) securities consisting of interest components stripped by the Federal Reserve Bank of New York; (vi) non-callable, and non-prepayable fixed rate Israel Notes guaranteed as to principal and interest by the United States of America through the United Agency for International Development (provided that, such notes are "Aaa"-rated and mature at least four business days before funds are needed for refunded bond debt service payments); (vii) United States State and Local Government Series (SLGS); and (viii) the following non-callable, non-prepayable obligations of federal government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Tennessee Valley Authority, Farm Credit System, United States Import-Export Bank, United States Department of Housing and Urban Development, Farmers Home Administration, General Services Administration and United States Maritime Administration (provided such entities maintain a rating of “Aaa”).

SECURITY AND SOURCES OF PAYMENT

General

The Bonds are general obligations of the District, and the Board of Supervisors of the County of San Diego has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal or Maturity Amount of and interest on the Bonds. The Bonds will be the final series issued under the Authorization. All general obligation bonds of the District are issued on a parity with one another.

The District will provide the County Treasurer with a schedule of the debt service on the Bonds for purposes of the County’s annual tax levy, as required by Section 15250 of the Education Code. Following receipt of that schedule, the County Auditor-Controller will take such action as is necessary to spread the annual amount of debt service throughout the District so that property taxes are levied in each year in an amount at least sufficient to provide for payment of said debt service in full.

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well.

Under California law, the District’s funds are deposited with the San Diego County Treasurer-Tax Collector (the “Treasurer”) and invested as provided for under the investment policy of the County. See “SAN DIEGO COUNTY INVESTMENT POOL” herein. The Paying Agent Agreement also permits all moneys in any of the funds or accounts established pursuant to the Paying Agent Agreement to be invested by the Paying Agent solely in certain permitted investments as defined therein (the “Permitted Investments”), as directed in writing by the District two Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Paying Agent shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Paying Agent Agreement.

Subsidy Payments

The Taxable Bonds will be delivered as Qualified School Construction Bonds with Subsidy Payments to be paid to the District by the United States Department of the Treasury (the “Treasury”), representing 100% of the lower of the interest component of the Taxable Bonds or the tax credit rate announced by Treasury on the date of sale of the Taxable Bonds. Pursuant to the terms of the Paying Agent Agreement, all Subsidy Payments received with respect to the Taxable Bonds shall be deposited, when received, into the Taxable Bonds Interest and Sinking Fund sub-account and applied as a credit against the next tax levy by the County to provide for debt service on the Taxable Bonds. “Subsidy Payments” means refundable tax credit payments from the United States Treasury to or upon the order of the Paying Agent pursuant to Section 6431 of the Code with respect to the Taxable Bonds.

Interest payments on the Taxable Bonds will be funded by the tax revenues deposited by the Treasurer in the District’s Interest and Sinking Fund as set forth above. Insofar as permitted by the Internal Revenue Service, the District will take all reasonably necessary steps to cause the Subsidy

Payments to be made directly to the Paying Agent on behalf of the District, for deposit in the Taxable Bonds Interest and Sinking Fund sub-account as a credit against interest payments on the Taxable Bonds, as set forth in the Paying Agent Agreement. In the event the District receives any Subsidy Payment from the Treasury, it shall transfer the funds received to the Paying Agent for deposit in the Taxable Bonds Interest and Sinking Fund sub-account. Payments of principal of and interest on the Taxable Bonds shall be funded by the *ad valorem* taxes of property within the District or reserves to the extent Subsidy Payments are not received.

THE PROJECT

The "Strict Accountability in Local School Construction Bonds Act of 2000," comprising Section 15264 *et seq.* of the Education Code, controls the method by which the District will expend Bond proceeds on its capital improvements. Prior to the Election, the District prepared and submitted to the Board for approval a master list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of the Bonds. The following description includes all elements of the Project List; however, for each series of the Bonds, the District will prioritize among these elements and will not undertake to complete all components of the Project List.

The Projects to be constructed, improved, installed or otherwise implemented for the District from the proceeds of the Bonds and the other bonds issued under the Authorization includes certain of the following elements, which were approved by the Board of the District for financing with such proceeds:

Project List

Restrooms, Plumbing, Heating, Electrical and Air-Conditioning. At all school sites in the District, the District intends to make improvements to repair aging and inadequate conditions, including, but not limited to, restrooms and plumbing, including outside water fountains, install improved heating, ventilation and air-conditioning, add electrical outlets and capacity for technology needs and install sprinklers, both fire-life safety and landscaping, as needed.

New High School. Conduct site work at District-owned real property, construct new classrooms and an auditorium, build administrative spaces and new restroom-related facilities, athletic facilities and related equipment storage, with related public roadway improvements, including utilities, as may be required.

Carlsbad High School. Repair and improve existing buildings, demolish obsolete portions of the High School and construct classrooms in new buildings on the campus, make related, adjacent site acquisitions, add food service facilities and improve and construct athletic facilities and parking improvements.

Improvements at Valley Middle School, Buena Vista, Hope, Kelly and Magnolia Elementary Schools. Construct or improve classrooms, food service, administrative and athletic field facilities at each school site, including the installation of technology infrastructure.

Additional Permanent Classrooms at Pacific Rim Elementary and Aviara Oaks Middle School. Replace existing portable classroom facilities by constructing new classrooms.

Furnishings and Equipment. At each site to be constructed or improved with the proceeds of the Bonds, the District intends also to furnish or equip the newly constructed or improved facilities, appropriate to the needs of the affected students, to include desks, chairs, tables, general classroom equipment, audio-visual and computer hardware and software.

Signage and Accessways; Landscaping and Exteriors. At each of the above-listed school sites, the District intends to install new or improved signage, add handicapped accessways and walkways, provide additional safety and security equipment, including lighting and intercoms, as appropriate, restore landscaping damaged during construction, add new drought-resistant landscaping where possible and refinish or repaint exteriors of buildings, as needed, and construct additional sidewalks and parkways, as may be required.

Acquire School Sites. Acquire sites for future school facilities to meet District growth.

DISTRICT FINANCIAL INFORMATION

Assessed Valuations

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

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

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

CARLSBAD UNIFIED SCHOOL DISTRICT
SUMMARY OF ASSESSED VALUATIONS
FISCAL YEARS 2006-07 THROUGH 2010-11

	Local Secured	Utility	Unsecured	Total Before Rdv. Increment
2006-07	$13,450,912,455	$154,568,964	$829,182,550	$14,434,663,969
2007-08	14,954,280,288	134,622,112	764,076,024	15,852,978,424
2008-09	16,191,216,493	128,425,804	777,236,122	17,096,878,419
2009-10	16,066,035,712	121,746,018	857,267,082	17,043,048,812
2010-11	15,942,061,027	143,125,804	776,739,847	16,861,926,678

Source: California Municipal Statistics, Inc.

CARLSBAD UNIFIED SCHOOL DISTRICT
2010-11 ASSESSED VALUATION BY JURISDICTION(1)

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Carlsbad	$16,517,799,216	97.26%	$ 23,532,307,271	70.19%
City of Oceanside	337,318,057	2.00	17,204,358,950	1.96%
City of Vista	6,809,405	0.04	8,512,937,858	0.08%
Total	$16,861,926,678	100.00%	$381,980,332,073	

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

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

CARLSBAD UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use

	2010-11 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 34,428,098	0.22%	23	0.05%
Commercial	2,820,406,185	17.69	581	1.36
Vacant Commercial	165,257,225	1.04	80	0.19
Industrial	2,090,704,366	13.11	501	1.18
Vacant Industrial	182,067,537	1.14	77	0.18
Recreational/Open Space	225,500,521	1.41	144	0.34
Government/Social/Institutional	28,729,634	0.18	23	0.05
Subtotal Non-Residential	$5,547,093,566	34.80%	1,429	3.35%
Residential:				
Single Family Residence	$ 6,903,588,714	43.305%	16,140	37.86%
Condominium/Townhouse	1,798,999,244	11.28	5,441	12.76
Mobile Home	144,230,396	0.90	847	1.99
Mobile Home Park	17,803,393	0.11	5	0.01
2-4 Residential Units	256,857,165	1.61	517	1.21
5+ Residential Units/Apartments	783,475,462	4.91	199	0.47
Timeshare Properties	304,268,386	1.91	17,220	40.39
Miscellaneous Improvements	6,021,861	0.04	83	0.19
Vacant Residential	179,722,840	1.13	750	1.76
Subtotal Residential	$10,394,967,461	65.20%	41,202	96.65%
Total	$15,942,061,027	100.00%	42,631	100.00%

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

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

CARLSBAD UNIFIED SCHOOL DISTRICT
2010-11 Largest Total Secured Taxpayers

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% of Total[1]
1.	Aviara Resort Associates SPE LLC	Hotel/Resort	$ 215,939,676	1.35%
2.	KSL La Costa Resort Corp.	Hotel/Resort	210,128,141	1.32
3.	Legoland California LLC	Theme Park	123,022,648	0.77
4.	OC/SD Holdings LLC	Apartments	121,152,686	0.76
5.	Ruby's Diner	Commercial Building	113,760,447	0.71
6.	H.G. Fenton Company	Industrial/Apartments	105,691,271	0.66
7.	Plaza Camino Real	Shopping Center	101,354,271	0.64
8.	Realty Associates Funds LP	Commercial Building	97,473,059	0.61
9.	Grand Pacific Palisades LP	Apartments	95,909,809	0.60
10.	Grand Pacific Carlsbad Hotel LP	Hotel/Resort	95,738,132	0.60
11.	Callaway Golf Co.	Industrial	95,444,058	0.60
12.	PPC Cascade LLC	Apartments	82,384,821	0.52
13.	Walton CWCA Northpointe 76 LLC	Industrial	65,260,112	0.41
14.	Griffin Capital Carlsbad Pointe Investor	Industrial	57,381,155	0.36
15.	SSR Western Multifamily LLC	Apartments	53,546,613	0.34
16.	The Vons Companies Inc.	Commercial Stores	52,315,047	0.33
17.	Stellar Properties LLC	Industrial	51,130,815	0.32
18.	W2007 La Costa Resort Co. LLC	Hotel/Resort	47,248,477	0.30
19.	DL Faraday LP	Industrial	46,631,233	0.29
20.	Kelly Corporate Center IA LC	Commercial Building	40,895,076	0.26
			$1,872,407,547	11.75%

(1) 2010-11 Total Secured Assessed Valuation: $15,942,061,027.
Source: California Municipal Statistics, Inc.

Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area (9-000) for fiscal years 2006-07 through 2010-11:

CARLSBAD UNIFIED SCHOOL DISTRICT
Typical Tax Rate per $100 Assessed Valuation (TRA 9-000)[1]

	2006-07	2007-08	2008-09	2009-10	2010-11
General Tax Rate	1.00000	1.00000	1.00000	1.00000	1.00000
Carlsbad Unified School District	.01376	.03737	.03498	.036490	.039500
Metropolitan Water District	.00470	.00450	.00430	.004300	.003700
Total	1.01846	1.04187	1.03928	1.040790	1.043200

(1) 2010-11 Assessed Valuation of TRA 9-000 is $3,944,286,356.
Source: California Municipal Statistics, Inc.

The Teeter Plan

The Board of Supervisors of the County, as of the 1993-94 fiscal year, approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan for the County is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied irrespective of actual delinquencies in the collection of property taxes by the County.

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

The District knows of no petition for the discontinuance of the Teeter Plan now pending in the County.

District Investments

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

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

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

Financial Statements of the District

The District's General Fund finances the legally authorized activities of the District for which restricted funds are not provided. General Fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District has not requested its auditor to provide any review or update of such financial statements in connection with their inclusion in this Official Statement. Certain information from the District's financial statements follows. The District's audited financial statements for the 2009-10 fiscal year attached hereto as APPENDIX C. The District has not requested, and its auditors have not provided, any review or update to such audited financial statements. The District's audited financial statements for prior and subsequent fiscal years can be obtained by contacting the District at 6225 El Camino Real, Carlsbad, California 92009, telephone (760) 331-5000.

General Fund

The following table describes the District's audited financial results for the fiscal years 2007-08, 2008-09 and 2009-10. The table on page 19 provides the District's 2010-11 Adopted Budget and the District's projected results for fiscal year 2010-11 as provided in its Second Interim Report.

CARLSBAD UNIFIED SCHOOL DISTRICT
GENERAL FUND
Audited Financial Results for Fiscal Years 2007-08, 2008-09 and 2009-10

	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
REVENUES			
Revenue Limit Sources:			
State Apportionments	$ (51,308)	$ (24,858)	$ (61,168)
Local Sources	61,725,192	64,535,033	63,464,556
Total Revenue Limit	61,673,884	64,510,175	63,403,388
Federal Revenues	2,870,708	4,147,599	6,050,814
Other State Revenues	12,767,881	10,164,265	7,042,475
Other Local Revenues	8,777,946	9,004,227	7,614,831
TOTAL REVENUES	$86,090,419	$87,826,266	$84,111,508
EXPENDITURES			
Instruction	$52,359,792	$52,876,959	$54,375,114
Instruction-Related Services	9,157,930	8,850,174	8,360,619
Pupil Services	7,541,287	7,307,352	7,595,594
Ancillary Services	619,950	697,706	652,281
Community Services	259,314	258,657	249,956
General Administration	4,516,220	4,588,722	4,736,211
Plant Services	6,795,799	7,733,004	7,193,874
Other Outgo	288,166	307,315	207,865
Debt Service			
Principal	8,246	4,246	-
Interest	413	84	-
TOTAL EXPENDITURES	$81,547,117	$82,624,219	$83,371,514
Excess (Deficiency) of Revenues Over Expenditures	$ 4,543,302	$ 5,202,047	$ 739,994
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	$ 28,420	–	$ 29,327
Operating Transfers Out	(1,270,496)	(1,271,443)	(4,312,587)
Other Sources	-	–	1,793,921
TOTAL OTHER FINANCING SOURCES (USES)	$ (1,242,076)	(1,271,443)	(2,489,339)
Net Change in Fund Balances	3,301,226	3,930,604	(1,749,345)
Fund Balances at Beginning of Year	9,709,801	13,011,026	18,462,237
Fund Balances at End of Year	$13,011,027	$16,941,630	$16,712,892

Source: The District.

CARLSBAD UNIFIED SCHOOL DISTRICT
GENERAL FUND
Adopted Budget and Second Interim Report for Fiscal Year 2010-11

	Adopted Budget	2010-11 Second Interim Report
REVENUES		
Revenue Limit Sources	$62,272,732.00	$61,719,099.00
Federal Revenues	2,754,982.00	5,051,206.00
Other State Revenues	3,554,763.00	7,418,197.00
Other Local Revenues	5,838,780.00	6,155,574.00
TOTAL REVENUES	$74,421,257.00	$80,344,076.00
EXPENDITURES		
Certificated Salaries	41,021,001.00	42,980,644.12
Classified Salaries	11,159,900.00	11,181,358.17
Employee Benefits	16,941,171.00	17,194,392.88
Books and Supplies	2,062,428.00	3,332,455.83
Services and Other Operating Expenditures	10,054,148.00	11,613,781.00
Capital Outlay	45,585.00	347,165.00
Other Outgo (excluding Transfers of Indirect Costs)	645,673.00	322,836.00
Other Outgo – Transfers of Indirect Costs	(108,839.00)	(108,849.00)
TOTAL EXPENDITURES	$84,111,985.00	86,863,784.00
Excess (Deficiency) of Revenues Over Expenditures	(9,090,609.00)	(6,519,708.00)
OTHER FINANCING SOURCES (USES):		
Operating Transfers In	–	1,118,472.00
Operating Transfers Out	989,933.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	989,933.00	1,118,472.00
Net Change in Fund Balances	(6,045,399.00)	(5,401,236.00)
Fund Balances at Beginning of Year	16,712,891.94	16,712,891.94
Fund Balances at End of Year	$10,667,492.94	$11,311,655.94

Source: The District.

CARLSBAD UNIFIED SCHOOL DISTRICT
Comparison of Adopted Budgets and Audits

	2008-09 Adopted Budget	2008-09 Audited	2009-10 Adopted Budget	2009-10 Audited
Revenues:				
Revenue Limit Sources:				
State Apportionments	$ –	$ (24,858)	$ –	$ (61,168)
Local Sources	64,485,433	64,535,033	63,782,459	63,464,556
Federal Revenue	3,311,284	4,147,599	5,785,477	6,050,814
Other State Revenue	11,694,995	10,164,265	6,941,911	7,042,475
Other Local Revenue	8,865,485	9,004,227	7,353,936	7,614,831
Total Revenues	$88,357,197	$87,826,266	$83,863,783	$84,111,508
Expenditures:				
Instruction	53,507,579	52,876,959	42,103,654	$54,375,114
Instruction – Related Services	8,863,037	8,850,174	11,321,047	8,360,619
Pupil Services	7,511,838	7,307,352	16,000,737	7,595,594
Ancillary Services	761,007	697,706	4,198,196	652,281
Community Services	281,164	258,657	10,850,602	249,956
General Administration	4,986,361	4,588,722	110,423	4,736,211
Plant Services	8,459,413	7,733,004		7,193,874
Other Outgo	309,114	307,315	(108,838)	207,865
Debt Service:				
Principal	6,988	4,246	–	–
Interest	84	84	–	–
Total Expenditures	$84,686,585	$8,624,219	$84,475,821	$83,371,514
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 3,670,612	$ 5,202,047	$ (612,038)	$ 739,994
Other Financing Sources (Uses):				
Transfers In	–	–	1,823,248	$ 29,327
Transfers Out	(1,271,443)	(1,271,443)	(4,312,587)	(4,312,587)
Other Sources	–	–	–	1,793,921
Total Other Financing Sources (Uses)	(1,271,443)	(1,271,443)	(2,489,339)	(2,489,339)
Net Change in Fund Balance	2,399,169	3,930,604	(3,101,377)	(1,749,345)
BEGINNING BALANCE	13,011,026	13,011,026	18,462,237	18,462,237
ENDING BALANCE	$15,410,195	$16,941,630	$15,360,860	$16,712,892

Source: The District.

Retirement System

The District participates in the State of California Teachers Retirement System ("STRS") which provides retirement benefits to certificated personnel. The District contributed $3,412,800 to STRS for fiscal year 2007-08 $3,448,824 for fiscal year 2008-09 and $3,466,053 for fiscal year 2009-10. The District also participates in the State of California Public Employees' Retirement System ("PERS") which provides retirement benefits to classified personnel. The District contributed $1,098,888 to PERS in fiscal year 2007-08, $1,098,888 for fiscal year 2008-09 and $1,095,087 for fiscal year 2009-10.

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

Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions.* The pronouncement will require public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35. The District has been complying with GASB Statement No. 45 ("GASB 45") since the fiscal year ending June 30, 2008.

Employees who are eligible to receive retiree employment benefits other than pensions ("Health & Welfare Benefits") while in retirement must meet specific criteria, *i.e.*, age and years with the District. The District provides Health & Welfare Benefits to qualified eligible employees and their eligible dependents who retire from the District on or after attaining age 55 with at least 10 years of service (15 years for classified employees) to the District. On November 1, 2008, eligibility for certificated new hires was changed to 55 years with at least 15 years of service to the District. On June 30, 2010, 76 retirees met these qualifications. The District pays the medical premiums incurred by qualified retirees through age 64 and requires retirees to contribute to the cost of coverage based on the active employee contributions. Spouse and dependent coverage ceases upon death of the retiree. Expenditures for post-employment healthcare benefits are recognized as the premiums are paid. During the year ended June 30, 2010, expenditures of $720,321 were recognized for post-employment healthcare benefits. The District has completed an actuarial study of its Health and Welfare Benefits dated July 1, 2008. Based on that study, the District's Annual Required Contribution is $3,045,167 and its unfunded actuarial accrued liability is $23,978,144. The District is in the process of determining the impact the implementation of GASB 45 will have on the government-wide statement of net assets and activities.

Certain Existing Obligations

A schedule of the District's changes in long-term debt for the year ended June 30, 2010 is shown below:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010	Due Within One Year
Governmental activities:					
General obligation bonds	$132,818,076	$ –	$ 4,356,558	$128,461,518	$2,929,437
Capital Leases	7,829,205	–	290,382	7,538,823	303,834
Certificates of participation	53,145,000	50,710,000	53,145,000	50,710,000	1,615,000
Special tax bonds	6,195,000	–	860,000	5,335,000	920,000
Compensated absences	348,363	28,476	–	376,839	376,839
Net OPEB Obligation	2,126,340	3,067,440	720,321	4,473,459	–
Bond Premium	1,460,333		58,609	1,401,724	58,609
COPS Premium	–	468,544	10,412	458,132	15,618
Total governmental activities	$203,922,317	$54,274,460	$59,441,282	$198,755,495	$6,219,337

Source: The District

Capital Leases

The District leases relocatable buildings, a computer-based learning lab and various computers under various agreements. Future minimum lease payments are as follows under capital leases:

Year Ended June 30	Lease Payments
2011	$ 645,672
2012	645,672
2013	645,672
2014	645,672
2015	645,672
2016-2020	3,228,360
2021-2025	3,228,360
2026-2030	1,226,037
Total Minimum Lease Payments	10,911,117
Less Amount Representing Interest	(3,372,294)
Net Minimum Lease Payments	$7,538,823

Source: The District

Certificates of Participation

On October 27, 2009, the District executed and delivered $50,710,000 aggregate principal amount of Certificates of Participation (Refunding Project) 2009 Series A, which are currently outstanding in the aggregate principal amount of $49,095,000.

Tax and Revenue Anticipation Note ("TRAN")

In July, 2010, the District issued a tax and revenue anticipation note ("TRAN") in the amount of $6,125,000 through the San Diego County Schools 2010-11 Pooled Tax and Revenue Anticipation Note program (the "San Diego County Program"). The TRAN matured in January 2011. The District expects to issue a TRAN in Fiscal Year 2011-12 through the San Diego County Program.

Direct and Overlapping Debt

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

The following table is a statement of the District's direct and estimated overlapping bonded debt as of May 1, 2011:

CARLSBAD UNIFIED SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

2010-11 Assessed Valuation:	$16,861,926,678
Redevelopment Incremental Valuation:	347,825,358
Adjusted Assessed Valuation:	$16,514,101,320

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/11
Metropolitan Water District	0.925%	$ 2,105,948
Palomar Community College District	0.010	32,253
Carlsbad Unified School District	**100.**	**125,532,081**(1)
Palomar Pomerado Health System	0.145	698,197
Carlsbad Unified School District Community Facilities District No. 1	100.	4,415,000
City of Carlsbad Community Facilities District No. 3, Improvement Area No. 1	50.657	5,820,487
City of Carlsbad Community Facilities District No. 3, Improvement Area No. 2	100.	17,755,000
City of Carlsbad 1915 Act Bonds	76.796 – 100.	40,578,851
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$196,937,817

DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Diego County General Fund Obligations	4.816%	$ 18,710,401
San Diego County Pension Obligations	4.816	39,505,078
San Diego County Superintendent of Schools General Fund Obligations	4.816	962,839
Mira Costa and Palomar Community College District General Fund Obligations	21.657 & 0.010	664,415
Carlsbad Unified School District Certificates of Participation	**100.**	**49,095,000**
City of Oceanside General Fund Obligations	2.094	882,516
City of Oceanside Pension Obligations	2.094	823,884
City of Vista General Fund Obligations	0.102	117,866
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$110,761,999
COMBINED TOTAL DEBT		$307,699,816(2)

(1) Excludes general obligation bonds to be sold.
(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2010-11 Assessed Valuation:
Direct Debt ($125,532,081)..0.74%
Total Direct and Overlapping Tax and Assessment Debt...... 1.17%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($174,627,081) 1.06%
Combined Total Debt 1.86%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: $0

Source: California Municipal Statistics, Inc.

CARLSBAD UNIFIED SCHOOL DISTRICT

District Organization

The Carlsbad Unified School District, a unified school district of the State of California (the "State"), was established in 1921, and is located in the northwestern portion of San Diego County. The District covers approximately 30.2 square miles, and provides kindergarten through twelfth grade education services in nine elementary schools, three middle schools, one high school and one alternative school. The District's projected average daily attendance for fiscal year 2010-11 is 10,611 and the District has a 2010-11 assessed valuation of $16,861,926,678.

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

BOARD OF TRUSTEES

Name	Office	Term Expires November
Lisa Rodman	President	2014
Kelli Moors	Vice-President	2012
Elisa Williamson	Clerk	2012
Ann Tanner	Member	2014
Veronica Williams	Member	2014

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 statements of the District may be obtained by contacting: Carlsbad Unified School District, 6225 El Camino Real, Carlsbad, California 92009, Attention: Assistant Superintendent, Business Services.

Key Personnel

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

Name	Title
John A. Roach, Ed.D.	Superintendent
Nancy Navarro	Director, Fiscal Services
Devin Vodicka	Assistant Superintendent, Business Services
Lucy Haines	Director, Curriculum and Instruction
Torrie Norton	Assistant Superintendent, Personnel Services

John A. Roach, Ed.D. Superintendent Roach has been at the District since 2004. Prior to joining the District, Dr. Roach worked at Charter Oak Unified School District where he served as Assistant Superintendent of Educational Services from 1991 through 1998 and as Superintendent from 1998 to 2004. He has a total of 36 years of education experience. Dr. Roach earned a Bachelor of Arts in English from Loyola University, a Master of Arts in English from Loyola Marymount University and his Doctorate in Educational Administration from the University of Southern California.

District Employees

The District employs approximately 546 full-time equivalent certificated academic professionals as well as 308 full-time equivalent classified employees.

The certificated employees of the District have assigned the Carlsbad Unified Teachers Association ("CUTA") as their exclusive bargaining agent. The certificated employees' contract with CUTA expired on June 30, 2010, and members of CUTA continue to work under the terms of the expired contract.

The classified employees have assigned Federation of United School Employees ("FUSE") as their exclusive bargaining agent and the contract with FUSE expires on June 30, 2011.

Initial contract proposals have been exchanged with both CUTA and FUSE, and dates for negations are being set.

Insurance

The District is a member of San Diego County Schools Risk Management ("SDCSRM"), a joint powers authority, that provides various types of insurance to its members as requested. In addition to SDCSRM, the District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker's compensation as are adequate, customary and comparable with such insurance maintained by similarly situated elementary school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for self-insured claims are adequate.

District Growth

The District has experienced slight population and student enrollment growth in the past several years. The table below sets forth the enrollment for Average Daily Attendance ("ADA") for the District for the Fiscal Years ending 2008 through 2010, the budgeted amounts for Fiscal Year ending June 30, 2011 and a projection of ADA for the Fiscal Year ending June 30, 2012.

CARLSBAD UNIFIED SCHOOL DISTRICT
Enrollment and Average Daily Attendance
Fiscal Years 2007-08 through 2011-12

Fiscal Year	Enrollment	ADA	Increase/(Decrease) From Prior Year	Base Revenue Limit
2007-08	10,741	10,288	--	$5,775
2008-09	10,695	10,317	29	5,629
2009-10	10,906	10,422	105	5,198
2010-11	11,047	10,611	189	5,202
2011-12[1]	11,047	10,611	0	5,184

[1] Projected.
Source: The District.

Population

The population of the City of Carlsbad, the County and the State for the most recent five calendar years is set forth in the following table.

POPULATION OF THE CITY OF CARLSBAD THE COUNTY AND STATE

Calendar Year	City of Carlsbad	San Diego County	State of California
2007	101,393	3,096,975	37,463,009
2008	103,745	3,141,700	37,871,509
2009	105,055	3,185,462	38,255,508
2010	106,804	3,224,432	38,648,090
2011	106,555	3,118,876	37,510,766

Source: California State Department of Finance.

Developer Fees

The District receives Developer Fees per square foot pursuant to Education Code Section 17620. Current Developer Fees are $3.38 per square foot for residential housing and $0.47 per square foot for commercial or industrial development.

Fiscal Year	Developer Fees Collected
2006-07	$934,731
2007-08	866,507
2008-09	224,846
2009-10	214,849
2010-11*	343,611

*Projected
Source: The District.

State Funding of Education

The State Constitution requires that from all State revenues there will first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education. As discussed below, most school districts in the State receive a significant portion of their funding from State appropriations.

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit (as described below) per unit of average daily attendance (“ADA”). Generally, such apportionments will amount to the difference between the District’s revenue limit and the District’s local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts (*i.e*., unified, high school or elementary). State law also provides for State support of specific school-related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

The State revenue limit is calculated three times a year for each school district. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Principal Apportionment. Calculations are reviewed by the County Office of Education and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of State aid owed to such school district and notify the State Controller of the amount, who then distributes the State aid.

The calculation of the amount of State aid a school district is entitled to receive each year is a five step process. First, the prior year State revenue limit per ADA is established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year State revenue limit per ADA is inflated according to formulas based on the implicit price deflator for government goods and services and the statewide average State revenue limit per ADA for the school districts. Third, the current year's State revenue limit per ADA for each school district is multiplied by such school district's ADA for either the current or prior year. Fourth, revenue limit add-ons are calculated for each school district if such school district qualifies for the add-ons. Add-ons include the necessary small school district adjustments, meals for needy pupils and small school district transportation, and are added to the State revenue limit for each qualifying school district. Finally, local property tax revenues are deducted from the State revenue limit to arrive at the amount of state aid based on the State revenue limit each school district is entitled to for the current year. See "District Growth" for the District's ADA record.

A school district whose local property tax revenues exceed its State revenue limit is not entitled to receive 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 Constitution. Such districts are known as "basic aid districts." Districts that receive some equalization aid are referred to as "revenue limit districts."

The District became a basic aid district in Fiscal Year 2007-08. The District's base revenue limit per ADA is budgeted to be $5,202 for Fiscal Year 2010-11 and $5,184 for Fiscal Year 2011-12, resulting in total budgeted revenue limit income of approximately $55.5 million in Fiscal Year 2010-11 and $55.8 million in Fiscal Year 2011-12, respectively. Local general property tax revenues are expected to be in excess of $61.1 million in Fiscal Year 2010-11 and $60.8 million in Fiscal Year 2011-12, providing base revenue limit income in excess of the District's total base revenue limit guarantee for both Fiscal Years. Therefore, for Fiscal Year 2010-11, the District has budgeted no State aid and will receive no State aid in Fiscal Year 2011-12 either. The District still, however, receives categorical funds it qualifies for from the State. State funds for categorical programs are budgeted to be approximately $5.4 million and State categorical revenues are budgeted to be approximately $507 per ADA in the current Fiscal Year.

State Budgets

The District's principal funding formulas and revenue sources are derived from the budget of the State of California. **The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the Underwriters, Disclosure Counsel nor the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, none of the District, Disclosure Counsel nor the Underwriters assume any responsibility for the accuracy of the State budget information set forth or referred to herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference.**

Proposed 2011-12 Budget. Governor Edmund G. Brown Jr. released his proposed fiscal year 2011-12 State budget (the "Proposed 2011-12 Budget") on January 10, 2011. The Proposed 2011-12 Budget projects that the State will face a budget gap of $25.4 billion in fiscal year 2011-12 as a result of a shortfall of $8.2 billion attributable to fiscal year 2010-11 and a shortfall of $17.2 billion attributable to fiscal year 2011-12. The Governor believes that the 2010 Budget Act relied in part on unrealistic assumptions, including the receipt of $3.6 billion in federal funds and $1.7 billion in reductions that were not achieved, and that a reasonable reserve of $1 billion, $26.4 billion in cuts, taxes and other budget measures will be necessary to close the fiscal year 2011-12 budget gap.

The Proposed 2011-12 Budget recognizes that fiscal year 2010-11 revenues are $3.1 billion lower than were projected at the time of the 2010 Budget Act, in part due to the recently enacted federal tax relief, unemployment insurance reauthorization, and the Job Creation Act of 2010, as well as the passage of Proposition 22, which created an additional budget shortfall of $1.6 billion. The Proposed 2011-12 Budget also anticipates that other workload adjustments including population and caseload changes will add $2.1 billion to the budget gap. The Proposed 2011-12 Budget includes $26.4 billion in spending cuts, revenues and other measures and reduces spending by $12.5 billion, including substantial cuts to most major programs, such as $1.7 billion to Medi-Cal, $1.5 billion to California's welfare-to-work program, $1 billion to the University of California and California State University, $750 million to the Department of Developmental Services and $580 million to State operations and employee compensation.

The Proposed 2011-12 Budget calls for an accelerated timeline to restore balance to the State's finances and assumes that all necessary statutory changes to implement budget measures will be adopted by the State Legislature and signed by the Governor by March of 2011 to allow certain ballot measures to be placed before the voters at a special election to be called for June 2011.

The Proposed 2011-12 Budget includes some one-time savings and borrowing, including $1.8 billion in borrowing from special funds, $1.7 billion in property tax shifts, $1.0 billion from the Proposition 10 reserve to fund children's programs, and $0.9 billion from Proposition 63 moneys to fund community mental health services. $8.2 billion of the budget gap is expected to be one-time in nature. The Proposed 2011-12 Budget projects the State will have sufficient cash to repay the entire $10 billion of State Revenue Anticipation Notes as scheduled in May and June 2011 but that, absent corrective action, it will once again face substantial challenges in meeting all General Fund cash needs beginning in July of 2011 so that, in addition to budget measures, the State will need to obtain external financing early in the 2011-12 fiscal year. In addition, the Proposed 2011-12 Budget plan includes $2.2 billion in new inter-year deferrals from 2011-12 to 2012-13, $2.1 billion of which will derive from K-12 revenue limit payments and $129 million from California Community Colleges ("CCCs") apportionment payments.

The Proposed 2011-12 Budget recognizes that school funding has been disproportionately reduced since fiscal year 2007-08 and maintains Proposition 98 funding for K-12 programs at the same level for fiscal year 2011-12 as is in effect for fiscal year 2010-11. In an effort to maintain funding for schools, fund public safety services at the local level and to balance the budget, the Proposed 2011-12 Budget anticipates that current tax rates will be continued for another five years and also proposes to apply the single sales factor income allocation rules uniformly to certain corporate taxpayers and to eliminate an ineffective tax expenditure program. These proposals are expected to generate savings of $12 billion. The Governor proposes to place a ballot measure before the voters in a special election to be held in June of 2011 calling for a constitutional measure to extend the four temporary tax increases adopted in February 2009. In the event the voters do not approve the extension of these increases, further reductions in spending could be made which may adversely impact K-12 education.

As it relates to K-12 education, the Proposed 2011-12 Budget maintains Proposition 98 programmatic funding for schools at the same level in fiscal year 2011-12 as in effect in fiscal year

2010-11 and also extends flexibility reforms adopted in 2009 to assist school districts to maintain their core services. Total funding for K-12 education is projected to be $63.8 billion in fiscal year 2011-12, $59.5 billion of which is State, federal and local property tax funding accounted for in the Proposed 2011-12 Budget. Total per-pupil expenditures from all sources are projected to be $11,154 in fiscal year 2010-11 and $10,703 in fiscal year 2011-12, including funds provided for prior year "settle-up" obligations. K-12 Proposition 98 per-pupil expenditures in the Proposed 2011-12 Budget are $7,344 in 2011-12, down slightly from $7,358 per-pupil provided in fiscal year 2010-11. In addition, the Proposed 2011-12 Budget includes $2.2 billion in new inter-year deferrals from fiscal year 2011-12 to 2012-13, $2.1 billion of which will derive from K-12 revenue limit payments and $129 million from California Community College ("CCC") apportionment payments. Although the administration has not yet determined from which months K-12 revenue limit payments would be deferred, it has indicated that deferrals likely would not be repaid until September or October of 2012. This intra-year deferral plan included in the Proposed 2011-12 Budget would delay $2.5 billion in K-12 payments and $200 million in CCC apportionments beginning in July 2011, reflecting the same magnitude as the 2010-11 intra-year deferrals.

Major workload adjustments for K-12 education included in the Proposed 2011-12 Budget include the following:

Cost-of-Living Adjustment Increases — The Proposed 2011-12 Budget does not provide a cost-of-living-adjustment ("COLA") for any K-14 program in fiscal year 2011-12. The projected COLA for 2011-12 is 1.67 percent, which would have provided an increase of $964.5 million overall, to the extent Proposition 98 resources were sufficient to provide that adjustment.

Property Tax — A decrease of $47.9 million for school district and county office of education revenue limits is made in fiscal year 2010-11 as a result of higher offsets of property tax revenues. An increase of $155.7 million for school district and county office of education revenue limits in fiscal year 2011-12 as a result of reduced offsets of local property tax revenues.

Average Daily Attendance — An increase of $81.4 million in fiscal year 2010-11 for school district and county office of education revenue limits is made as a result of an increase in projected ADA and an increase of $357.5 million in 2011-12 for school district and county office of education revenue limits as a result of continued projected growth in ADA for fiscal year 2011-12.

Unemployment Insurance — An increase of $351.8 million in fiscal year 2011-12 is made to fully fund the additional costs of unemployment insurance for local school districts and county offices of education.

K-14 Mandates Funding — Ongoing funding of $89.9 million is provided for K-14 mandates to provide level funding relative to fiscal year 2010-11, for reimbursement of state-mandated local costs. Current law suspends for three additional years those programs that were suspended during the 2010-11 fiscal year.

The significant non-General Fund workload adjustments are as follows:

School Facilities Program Funding Adjustments — The workload budget includes a $316 million decrease in fiscal year 2009-10 actual expenditures, a $2.07 billion increase in fiscal year 2010-11 estimated expenditures and a $1.97 billion decrease in fiscal year 2011-12 estimated expenditures for school facilities. These amounts are largely attributable to the anticipated allocation of remaining funds from the 1998, 2002, and 2004 bonds.

Child Nutrition Program — An increase of $36.1 million in fiscal year 2011-12 to the State Department of Education ("SDE") local assistance from federal funds to reflect growth of nutrition programs at schools and other participating agencies and an increase of $12.0 million in fiscal year 2011-12 to the SDE local assistance from federal funds for the Fresh Fruit and Vegetable Program, which provides an additional free fresh fruit or vegetable snack to students during the school day.

The significant other General Fund policy issues relating to K-12 are as follows:

Extension of Flexibility for K-12 School Districts — The Proposed 2011-12 Budget proposes legislation to extend various flexibility options for school districts for two additional years. Specifically, it extends authority in the following areas:

Categorical flexibility — For fiscal years 2008-09 through 2012-13, local educational agencies were given broad flexibility to spend funds for approximately 40 K-12 categorical programs for any educational purpose. Under categorical flexibility, a district's allocation for each program is based on its share of total program funding either in fiscal year 2007-08 or 2008-09, with the earlier year being used for certain participation-driven programs.

Routine Maintenance Contributions — Local educational agencies were proposed to reduce the amount that districts must deposit into a restricted routine maintenance account for the 2008-09 through 2012-13 fiscal years, from 3 percent of General Fund expenditures to 1 percent.

Deferred Maintenance Program Matching Requirement — The requirement that districts set aside one-half of 1 percent of their revenue limit funding for deferred maintenance was suspended for the 2008-09 to 2012-13 fiscal years.

A complete copy of the Proposed 2011-12 Budget is posted by the California Department of Finance website at www.ebudget.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriters make any representation as to the accuracy of the information provided therein.

LAO Overview of Proposed 2011-12 Budget. The LAO released its "2011-12 Budget: Overview of the Governor's Budget" on January 12, 2011 (the "2011-12 Budget Overview") in which the LAO agreed that the $25.4 billion State budget shortfall estimated in the Proposed 2011-12 Budget was a reasonable estimate. In the 2011-12 Budget Overview LAO, the LAO concurs with the Governor that major reasons for the current State budget shortfall include the inability of the State to achieve certain previous budget measures, the expiration of various one-time and temporary budget measures approved in recent years, and the failure of the State to obtain significant additional federal funding for key programs. Generally, the 2011-12 Budget Overview recognizes that the Proposed 2011-12 Budget includes proposals impacting nearly every area of the fiscal year 2011-12 State budget and that the Proposed 2011-12 Budget is a good starting point for legislative deliberations, recognizing that the focus on multiyear and ongoing measures are necessary to make substantial improvements in the State's budgetary situation. The 2011-12 Budget Overview supports the extension of the four temporary tax increases adopted in February 2009 to voters in a June 2011 special election and to the restructuring of the state-local relationship in the delivery of services by shifting funding and responsibility to local governments for those services. The 2011-12 Budget Overview responds favorably to the Proposed 2011-12 Budget proposals to "realign" state and local program responsibilities and to the proposed changes in local economic development efforts. Nonetheless, the LAO believes there are significant risks in the Proposed 2011-12 Budget, especially in the context of the realignment and redevelopment proposals which involve many legal, financial, and policy issues. The 2011-12 Budget Overview concludes that the State Legislature will have to make difficult decisions on both its spending and tax commitments, but that the proposed 2011-12 Budget also presents an opportunity to reorder state and local government functions to improve the delivery of public services.

The 2011-12 Budget Overview recognizes that, while the Proposed 2011-12 Budget includes revenue proposals resulting in a $2 billion increase in the Proposition 98 minimum funding guarantee for schools above its current-law level, the Proposed 2011-12 Budget would result in a small programmatic funding decline for K-12 schools and significant reductions for CCCs and child care programs. The 2011-12 Budget Overview also suggests that $128 million of the anticipated Proposition 98 savings included in the Proposed 2011-12 Budget cannot be realized and that the assumed $74 million in savings due to the sunset of the Special Disabilities Adjustment program could violate federal maintenance-of-effort requirements. In addition, the 2011-12 Budget Overview recommends that the State Legislature could consider a different combination of policy changes to realize child care savings. With respect to CCC funding, the 2011-12 Budget Overview supports the Proposed 2011-12 Budget proposal to increase CCC fees.

In addition, the LAO indicates in its 2011-12 Budget Overview that the proposed deferrals included in the Proposed 2011-12 Budget could be problematic if they are not paid until the fall of 2012 (all existing deferrals are paid by August) and that the intra-year deferrals may defer already-deferred payments until even later in the next fiscal year. Consequently, the inter-year and intra-year deferrals could result in school districts and CCCs facing significant cash flow difficulties in the summer and fall of 2012. See the sub-caption "-- Proposed 2011-12 Budget" above.

A complete copy of the LAO's 2011-12 Budget Overview is posted by the Office of the Legislative Analyst at www.lao.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriters make any representation as to the accuracy of the information provided therein.

2011-12 May Revision. Governor Brown released his May Revision to the 2011-12 State Budget (the "2011-12 May Revision") on May 16, 2011. The 2011-12 May Revision includes an upward revision in the tax revenue forecast for the State of $2.8 billion for fiscal year 2010-11 and of $3.5 billion for fiscal year 2011-12 from the levels reflected in the Proposed 2011-12 Budget. Offsetting these revenue gains, the 2011-12 May Revision reflects increased spending and adjustments made since the Proposed 2011-12 Budget, including an increase of $1.6 billion in General Fund funding for K-12 education and community colleges pursuant to Proposition 98. The 2011-12 May Revision anticipates a $10 billion State deficit and a need for $11 billion towards rebuilding a reserve, and, at the same time, proposes to reduce taxes by $2.9 billion and shift revenues from realignment. Among the measures included in the 2011-12 May Revision are the elimination of 43 boards, commissions, task forces and offices; the realignment of functions to local authorities and departments; reductions in State administration, including eliminating the Departments of Mental Health and Alcohol and Drug Programs, and reducing State personnel by at least 25 percent for affected programs (approximately 5,500 from fiscal year 2010-11 to 2011-12); selling nonessential or underutilized State properties; merging the Healthy Families Program into the Medi-Cal Program to create a single health care program for low-income families; plus a number of executive actions to reduce State operations costs. Specifically, the 2011-12 May Revision proposes to reform, instead of eliminate, enterprise zones and no longer proposes to extend the personal income tax surcharge in effect in 2010 into 2011. The 2011-12 May Revision also reflects revenue proposals designed to yield estimated General Fund revenue of $4 billion.

The 2011-12 May Revision attempts to begin paying down the State's debt by dedicating $3 billion in increased Proposition 98 spending to reverse past deferrals of payments and by reducing borrowing from State special funds and lays out a plan to pay off at least $29 billion in looming State debt by 2015. The 2011-12 May Revision also proposes that the State Legislature implement and the voters ratify a plan that preserves core services, including a reduced safety net, while extending current sales tax and vehicle license fee rates and the dependent credit exemption for five years. The 2011-12 May Revision would reinstate the personal income surcharge for the 2012 through 2015 tax years in order to fund core services. While Governor Brown previously requested in the Proposed 2011-12 Budget that the State Legislature place the tax extensions directly to the voters, certain additional revenues built into the 2010-11 May Revision are now contingent upon a two-thirds vote of both houses of the State Legislature, prior to any measures being placed on the November 2011 State-wide election ballot.

As it affects K-12 education, the 2011-12 May Revision includes total funding of $66 billion ($38.7 billion General Fund and $27.3 billion other funds) for all K-12 education programs. For fiscal year 2011-12, the Proposition 98 Guarantee is estimated at $52.4 billion, of which $38.3 billion is allocable to the State's General Fund. Increased property tax and General Fund revenue estimates result in a Proposition 98 Guarantee that is $3 billion higher than the $49.4 billion level approved by the State Legislature in March of 2011, resulting in the highest Proposition 98 Guarantee since 2007-08, and which is slated to restore State budget reductions borne by K-12 schools and community colleges since that time. For fiscal year 2011-12, there are two Proposition 98 "rebenching" impacts: an increase of $629.6 million to ensure that the Proposition 98 Guarantee does not decrease with the shift in motor vehicle fuel revenues and an increase of $221.8 million to reflect the inclusion of mental health and out-of-home care as noted above. In addition, for fiscal year 2010-11, the Proposition 98 Guarantee is suspended at $49.7 billion; however, the Governor proposes funding levels slightly above the suspended level at $49.8 billion, to cover natural workload changes from the Budget Act of 2010 level, primarily related to changes in revenue limit funding, which are general purpose revenues provided to schools.

The 2011-12 May Revision includes the following significant Proposition 98 General Fund policy proposals and workload adjustments in connection with the operations of K-12 education programs:

- *K-12 Revenue Limit Apportionment Adjustment*—An increase of almost $2.5 billion to restore revenue limit apportionment funding that had been deferred by the State Legislature in March of 2011, an augmentation which eliminates the recently enacted deferral of $2.1 billion, and provides an additional $434 million to reduce other existing deferrals.

- *Shift In Mental Health Services from Counties to Schools*— A proposal to "rebench" the Proposition 98 Guarantee and provide an increase of $221.8 million in Proposition 98 General Fund monies to shift the responsibility for providing mental health services, including out-of-home residential services, required under federal law from county mental health agencies and county welfare agencies to school districts. The 2011-12 May Revision also reflects the permanent repeal of the AB 3632 mandate and removes mental health services from the realignment proposal for counties.

- *Child Care and Development*—A decrease of $97.2 million to child care and development programs, reflecting a net decrease of $123.5 million due to revised estimates of caseload costs for CalWORKS child care; a decrease of $6.9 million to reflect a revised estimate of growth; an increase of $40.6 million to adjust the savings generated by child care reductions adopted by the State Legislature in March of 2011; and an increase of $7.4 million in federal funds which will offset a like reduction of support from the General Fund.

- *Eliminate Selected K-14 Mandates*—A reduction of $38.2 million to reflect the adoption of specific recommendations of the K-14 workgroup on mandate reform created by Chapter 724, Statutes of 2010 in an effort to pursue additional long-term reform options in collaboration with the LAO to streamline future funding of K-14 mandates through a block grant approach.

- *Charter Schools*—An increase of $19.5 million for Charter School Categorical Block Grant and Economic Impact Aid caseload growth and an increase of $8 million to provide charter schools that commenced operations between fiscal years 2008-09 and 2011-12 with supplemental categorical funding.

- *Clean Technology and Renewable Energy Training*—An increase of $3.2 million to support the Clean Technology and Renewable Energy Job Training, Career Technical Education, and Dropout Prevention Program, which creates school-business partnerships that provide occupational training for at-risk high school students.

- *County Offices of Education*—An increase of $14.6 million in fiscal year 2010-11 and $13.9 million in fiscal year 2011-12 for updates to unemployment insurance, PERS, average daily attendance growth, and deficit factor adjustments.

- *Local Property Tax Adjustments*—Decreases of $551.8 million in 2010-11 related to school district and county office of education property tax revenues and $690.3 million in school district and county office of education revenue limit and special education apportionments in 2011-12. In general, increases in local property tax revenues decrease the amount of State General Fund costs for revenue limit apportionments.

Non-Proposition 98 K-12 proposals and major workload adjustments affecting K-12 schools are as follows:

- *Elimination of Funding for CALPADS*—A reduction of $2.9 million federal funds to Department of Education State operations to reflect the suspension of funding for all CALPADS development and implementation activities pending continued review of the system.

- *Child Nutrition Programs*—An increase of $2.5 million Federal Trust Fund for child nutrition programs, $2 million on a one-time basis for projects that will support the efficiency and quality of child nutrition program administration, and an increase of $2 million Federal Trust Fund due to an anticipated increase in meals served through the Summer Food Service Program.

- *Local Education Agency Funding*—An increase of $21.3 million in federal funding allocated to all Title I local educational agencies ("LEAs") using the State's usual Title I, Part A Basic program distribution methodology.

The complete 2011-12 May Revision is available from the California Department of Finance website at www.dof.ca.gov. The District takes no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference. The 2011-12 May Revision is subject to subsequent change. The final 2011-12 State Budget may initiate significant changes from the 2011-12 May Revision. The District is unable to predict the extent of such changes.

LAO Overview of 2011-12 May Revision. On May 19, 2011, the LAO released its overview of the 2011-12 May Revision which notes that the Governor's plan set forth in the 2011-12 May Revision to address the budget shortfall and leave the State with a $1.2 billion reserve at the end of fiscal year

2011-12 has many positive aspects. On the other hand, the LAO notes that the State Legislature has other options to address the reduced budget shortfall, including adoption of alternative tax proposals, additional program reductions, and selected fund transfers and internal borrowing.

The LAO also points out that the Governor's plan set forth in the 2011-12 May Revision involves considerable uncertainty faced by school and community college districts, counties, and the State if the State Legislature were to opt for the Governor's plan to seek approval for his major tax proposals and realignment plan earlier, rather than later, in fiscal year 2011-12. The LAO recognizes that the outcome providing the most certainty would be the State Legislature and Governor reaching a budget agreement without going to the voters. If, however, the tax measures are to go before voters, the LAO believes it would be preferable to have the election at the end of the fiscal year so that parties affected by the budget would at least have certainty as to funding levels for the entire fiscal year.

In addition, the LAO suggests that the State Legislature focus on maximizing the amount of ongoing solutions it passes to address the remaining budget problem and that incorporating the Governor's emphasis on reducing budgetary obligations into the final 2011-12 budget agreement would be very helpful in continuing the process of returning the state to a prudent fiscal position.

The LAO also notes that, along with the changes in the budget deficit, the 2011-12 May Revision forecasts higher-than anticipated State general fund revenues totaling $6.6 billion for both fiscal years 2010-11 and 2011-12. The increase in revenues is largely attributed to strong personal income tax collections experienced since the beginning of the 2011 calendar year. Offsetting these increased revenues, the 2011-12 May Revision identifies an additional $3 billion in general fund costs, including a net increase of $1.6 billion in Proposition 98 expenditures. Taking into account the net increase to State revenues, the 2011-12 May Revision projects a revised budget deficit of $9.6 billion. The LAO notes that the May Revision's revenue projections are reasonable.

The 2011-12 May Revision continues to propose the extension of sales and use taxes, vehicle license fees and dependent exemption credits for an additional five years. The LAO notes that, unlike the Proposed 2011-2012 Budget, the 2011-12 May Revision would omit the personal income tax surcharge in the 2011 tax year, but would reinstate it for four years beginning in 2012. The LAO notes that the 2011-12 May Revision does not specify a target date for such election. According to the LAO, this will likely create significant uncertainty for both state and local governments. The LAO expects that this uncertainly will compel school districts to continue making budgetary and staffing decisions assuming the tax extensions will not be approved. The failure of such an election would also require the State to consider significant reductions to state programs to bring the budget back into balance.

As it pertains to K-14 education, the LAO recognizes that despite the proposed $3 billion increase in Proposition 98 funding, the 2011-12 May Revision does not reflect a major program expansion from the Proposed 2011-12 Budget because the bulk of the additional Proposition 98 funding is associated with paying down deferrals (*i.e.*, making existing school payments on time) rather than increasing the level of programmatic spending. The 2011-12 May Revision includes an increase of $129 million in Proposition 98 funding to recognize higher-than-expected K-12 costs ($72 million) and higher-than-expected CCC property tax revenues ($57 million). Despite the increase in total Proposition 98 funding, the LAO notes that State General Fund costs are notably reduced ($517 million) because higher-than-expected K-12 local property tax revenues ($646 million) reduce the State General Fund share of revenue limit costs. For CCCs, higher-than-expected local property taxes do not result in an automatic reduction in State General Fund spending. The additional revenues instead provide an increase to community college apportionments.

In addition, the LAO notes that, under the 2011-12 May Revision, per-pupil programmatic spending goes up $40 (from $7,693 to $7,733) with virtually all of the increase attributable to including mental health funding within Proposition 98. Because of the improvement in the State's fiscal condition and the prospect of reduced deferrals, school districts face less budget uncertainty but the LAO recognizes that such uncertainty has not been eliminated and that school districts continue to face timing issues that likely will result in some of them planning for programmatic cuts. The LAO also recognizes that the 2011-12 May Revision proposes certain adjustments known as "rebenching" to the Proposition 98 minimum funding guarantee to account for the recent policy change that eliminated the sales tax on gasoline, and the proposal to shift the responsibility for providing certain mental health services from county health agencies to school districts. This rebenching is expected to raise the minimum funding guarantee by approximately $656 million. The LAO notes that this rebenching raises serious legal and logistical questions, and suggests that the Governor revisit the benefits of this proposal.

Overall, the LAO believes that the improved economic and revenue situation, along with significant budgetary solutions already adopted, means that the State is in a position to shrink its budget problem with a focus on ongoing budget solutions. Additional information regarding the May Revision may be obtained at www.lao.ca.gov. Such information, however, is not incorporated herein by any reference and the District takes no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there.

SB 70 and SB 82. In March 2011, the Governor signed into law Senate Bill 70 ("SB 70") and Senate Bill 82 ("SB 82") to revise the State's cash management plan for Fiscal Years 2010-11 and 2011-12. Pursuant to SB 70, there will be a one-time modification to the State's inter-fiscal year deferral payment schedule. Accordingly, warrants in the amount of $24.7 million will be deferred to July 2011 from February 2011, warrants in the amount of $1.405 billion will be deferred to August 2011 from February 2011, and warrants in the amount of $569.8 million will be deferred to August 2011 from February 2011. In addition, SB 70 defers warrants in the amount of $420 million to September 2011 from April 2011 and warrants in the amount of $800 million to September 2011 from May 2011. SB 70 also approves ongoing deferrals and directs that warrants in the amount of $1.3 billion be deferred to August from March and warrants in the amount of $764 million be deferred to August from April.

Pursuant to SB 82, the State adopted several intra-year deferrals for Fiscal Year 2011-12. Accordingly, warrants in the amount $700 million will be deferred to September 2011 from July 2011, warrants in the amount of $700 million will be deferred to January 2012 from July 2011, warrants in the amount of $1.4 billion will be deferred to January 2012 from August 2011 and warrants in the amount of $2.4 billion will be deferred to January 2012 from October 2011. In addition, warrants in the amount of $1.4 billion will be deferred to April 2012 from March 2012. SB 82 contains a provision whereby a school district may, subject to the approval of the State's Director of Finance, receive scheduled payments from the State Controller if payments are deferred, if the county superintendent of schools certifies to the State Superintendent of Public Instruction and Director of Finance, that the deferral of warrants will result in a hardship for the school district.

ABX8 5, ABX8 14 and AB1610. On February 1, 2010, Governor Schwarzenegger signed into law ABX8 5, effective immediately, which included several measures meant to allow the State to effectively manage its cash resources in the fiscal years 2009-10 and 2010-11. For fiscal year 2009-10, ABX8 5 authorized the deferral of General Fund payments to be made to trial court operations, the California University system, the University of California system, and CCCs in March 2010 to no sooner than April 15, 2010, but no later than May 1, 2010. Prior to such deferrals, the State Controller, Treasurer, and Director of Finance are required to review the actual cash situation to determine if the deferrals are in-fact necessary. Further, if such deferrals are implemented, the Controller, Treasurer and Director of Finance, after April 1, are required to review daily the actual cash receipts and disbursements to determine when all or a portion of the deferrals can be paid, and to make such payments as soon as feasible. To address the cash management issues in fiscal year 2010-11, ABX8 5 authorized specific deferrals to K-12 apportionments, Supplemental Security Income/State Supplementary Payments, local government social services and transportation payments and trial court operations. These deferrals are allowed only in July 2010 for no more than 60 days, October 2010 for no more than 90 days, and March 2011 for no more than 60 days. Prior to the implementation of such deferrals, the Controller, Treasurer and Director of Finance must review the actual cash receipts and disbursements to determine if they are in-fact necessary. Further, if such deferrals are implemented, the Controller, Treasurer and Director of Finance, after July 1, 2010, are required to conduct a daily review of the actual cash receipts and disbursements to determine when all or a portion of the deferrals can be paid, and to make such payments as soon as feasible. In addition, such deferrals may be moved forward or backward one month from the dates specified if all three of the Controller, Treasurer and Director of Finance determine that a move is necessary. ABX8 5 limited the K-12 deferrals to $2.5 billion at any given time during the fiscal year 2010-11 and sets a maximum of three K-12 deferrals during the fiscal year. ABX8 5 provided a hardship exemption for county offices of education, local education agencies and charter schools. ABX8 5 further authorized the deferral of $200 million from July 2010 to October 2010 and $100 million from March 2011 to May 2011 for CCCs. ABX8 5 also provided for a hardship exemption for CCCs.

On March 22, 2010, Governor Schwarzenegger signed into law, effective immediately, ABX8 14 which amended the cash management provisions for fiscal years 2009-10 and 2010-11 enacted into law pursuant to ABX8 5. With regard to the fiscal year 2009-10 cash management issues, ABX8 14 provides a hardship exemption process for the current year deferrals for CCCs and makes them the first entity to have deferrals paid as soon as funds are available. As to the fiscal year 2010-11 cash issues, ABX8 14 clarifies the hardship exemption process for school districts, county offices of education and charter schools and provides certain other changes pertaining to those provisions. In addition, ABX8 14 requires the State Controller, State Treasurer, and Director of Finance to jointly provide a written declaration of the intended payment deferrals for fiscal year 2010-11 no later than March 31, 2010 as well as requiring approval by the Director of Finance for hardship exemptions; and states the intent of the legislature that July 2010 deferrals shall first be made from the advance principal apportionment payment. The legislation also delayed the date by which hardship exemption requests must be submitted (including with respect to fiscal year 2010-11 CCC deferrals) and provides a second hardship waiver opportunity for the March 2011 deferral for those districts that did not receive an initial hardship waiver in June 2010.

In addition, the State adopted AB 1610 which directed warrants for the principal apportionments for the month of February 2011 in the amount of $2 billion be drawn in July 2011, warrants for the principal apportionments for the month of April 2011 in the amount of $679 million and for the month of May 2011 in the amount of $1 billion be drawn in August 2011, warrants for the principal apportionments for the month of April 2011 in the amount of $420 million and for the month of May 2011 in the amount of $800 million be drawn in July 2011. AB 1610 also approved a waiver provisions relation to an amount up to $100 million for June of each year to July of such year subject to a demonstration of financial hardship by the requesting school district.

Future State Budgets. Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. The State Budget for the 2010-11 fiscal year was also not adopted in a timely fashion and the District cannot fully anticipate its impact. The events leading to the inability of the State Legislature to pass a budget in a timely fashion are not unique, and the District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the District's budget, it will be necessary for the District's staff to review the consequences of the changes, if any, at the State level from the proposals in the Governor's May Revision for that year, and determine whether the District's budget will have to be revised.

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Wilkinson Hadley King & Co. LLP CPA's and Advisors, El Cajon, California, serve as independent auditors to the District and excerpts of their report for the Fiscal Year Ended June 30, 2010, are attached hereto as APPENDIX C. The District's auditors have not specifically approved the inclusion of such excerpts herewith.

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

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. For the District's most recent available audited financial statements, see "APPENDIX C."

Ad Valorem Property Taxes

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

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

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

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Proposition 98

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

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

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

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

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

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

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

Supplemental Information Concerning Litigation Against the State of California

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

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

Supreme Court granted the State Controller's Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court.

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

Proposition 1A

Proposition 1A (SCA 4), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Financial Statements

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

Funds used by the District are categorized as follows:

<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
General Fund	Trust and Agency Funds
Special Revenue Funds	Proprietary Funds
Debt Service Funds	Internal Service Funds
Capital Project Funds	

The General Fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General

Fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Assistant Superintendent, Business for the District and audited by independent certified public accountants each year. Excerpts from the District's audited financial statements for the year ending June 30, 2008, are attached hereto as APPENDIX C.

Budgets of District

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

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

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

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

Legislation Implementing Article XIIIA

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

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

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

Article XIIIB of the California Constitution

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

Unitary Property

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

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

California Lottery

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

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2009-10, the District received $1,183,329 in State Lottery aid and has budgeted $1,237,303 for such aid in 2010-11. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted. See "CARLSBAD UNIFIED SCHOOL DISTRICT - State Budget" herein.

Proposition 46

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

Proposition 39

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

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

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

Article XIIIC and XIIID of the California Constitution

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

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

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

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

Propositions 1A and 22

Proposition 1A (SCA 4) provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate from 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning June 1, 2009, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Under Proposition 1A, the State no longer has the authority to permanently shift city, county, and special district property tax revenues to schools, or take certain other actions that affect local governments. In addition, Proposition 1A restricts the State's ability to borrow state gasoline sales tax revenues. These provisions in the Constitution, however, do not eliminate the State's authority to temporarily borrow or redirect some city, county, and special district funds or the State's authority to redirect local redevelopment agency revenues. However, Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (1) to use State fuel tax revenues to pay debt service on state transportation bonds; (2) to borrow or change the distribution of state fuel tax revenues; (3) to direct redevelopment agency property taxes to any other local government; (4) to temporarily shift property taxes from cities, counties, and special districts to schools; (5) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, 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 the LAO analysis of Proposition 22 submitted by 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 percent of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's General Fund costs by approximately $1 billion annually for several decades.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 98, 46, 39, 1A and 22 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the District's revenues or their ability to expend revenues.

THE SAN DIEGO COUNTY TREASURY POOL

This section provides a general description of the County's investment policy, current portfolio holdings, and valuation procedures. The information has been prepared by the Treasurer for inclusion in this Official Statement. Neither the District nor the Underwriters make any representation as to the accuracy or completeness of such information. Further information may be obtained from the office of the Treasurer, County Administration Center, 1600 Pacific Highway, Room 112, San Diego, California 92101-2479.

General

Pursuant to a resolution adopted July 8, 1958, the Board of Supervisors delegated to the County Treasurer the authority to invest and reinvest funds of the County. Applicable law limits this delegation of authority to a one-year period and must be renewed annually by action of the Board of Supervisors. In addition to funds of the County (and the various departments in the County, such as Public Works and Public Administration), funds of certain local agencies within the County, including school districts in the County, are required under state law to be deposited into County treasury ("Involuntary Depositors"). In addition, certain agencies, including community college districts, invest certain of their funds in the County treasury on a voluntary basis ("Voluntary Depositors" and together with the Involuntary Depositors, the "Depositors"). Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the "Treasury Pool" or the "Pool"). No particular deposits are segregated for separate investment.

Under State law, Depositors in the Pool are permitted to withdraw funds which they have deposited on 30 days' notice. The County does not expect that the Pool will encounter liquidity shortfalls based on its current portfolio and investment guidelines or realize any losses that may be required to be allocated among all Depositors in the Pool.

The County has established an Oversight Committee as required by State law. The members of the Oversight Committee include the Treasurer, the Chief Financial Officer, members of the public, and a representative from a special district and a school district. The role of the Oversight Committee is to review and monitor the Investment Policy that is prepared by the County Treasurer.

The Treasury Pool's Portfolio

As of April 30, 2011, the securities in the Treasury Pool had a market value of $6,916,649,842 and a book value of $6,899,501,949, for a net unrealized gain of $17,147,894.

The effective duration for the Treasury Pool was 0.600 years as of April 30, 2011. "Duration" is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. A duration of 0.600 means that for every one percent increase in interest rates the market value of the portfolio would decrease by 0.600%.

As of April 30, 2011, approximately 6.43% of the total funds in the Pool are Non-County funds, 6.93% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 9.46% by community colleges, 40.81% by the County and 36.37% by K-12 school districts.

Standard & Poor's Ratings Group maintains ratings on the Pool's ability to meet its financial commitments of "AAA" (long-term) and "A-1" (short-term volatility). The ratings reflect only the view of the rating agency and any explanation of the significance of such ratings may be obtained from such rating agency as follows: Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, 55 Water Street, New York, New York 10041.

Investments of the Treasury Pool

Authorized Investments. Investments of the Pool are placed in those securities authorized by various sections of the California Government Code, which include obligations of the United States Treasury, Agencies of the United States Government, local and State bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), and asset backed (including mortgage related) and pass-through securities. Generally, investments in repurchase agreements cannot exceed a term of one year and the security underlying the agreement shall be valued at 102% or greater of the funds borrowed against the security and the value of the repurchase agreement shall be adjusted no less than quarterly. In addition, reverse repurchase agreement generally may not exceed 20% of the base value of the portfolio and the term of the agreement may not exceed 92 days. Securities lending transactions are considered reverse repurchase agreements for purposes of this limitation. Base Value is defined as the total cash balance excluding any amounts borrowed (i.e., amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods).

Legislation which would modify the currently authorized investments and place restrictions on the ability of municipalities to invest in various securities is considered from time to time by the California State Legislature. Therefore, there can be no assurances that the current investments in the Treasury Pool will not vary significantly from the investments described herein.

The Investment Policy. The County's Investment Policy (the "Investment Policy") (which may be modified, amended, or otherwise changed at any time at the sole discretion of the County Treasurer) currently states the primary goals of the County Treasurer when investing public funds to be as follows: the primary objective is to safeguard the principal of the funds under the County Treasurer's control, the secondary objective is to meet the liquidity needs of the Pool Participants, and the third objective is to achieve a return on the funds under the control of the County Treasurer within the parameters of prudent risk management. The Investment Policy contains a goal that 50% of the Pool should be invested in securities maturing in one year or less, with the remainder of the portfolio being invested in debt securities with maturities spread over more than one year to five years. With respect to reverse repurchase agreements, the Investment Policy provides for a maximum maturity of 92 days (unless the reverse repurchase agreement includes a written guarantee of a minimum earning or spread for the entire period of such agreement) and a limitation on the total amount of reverse repurchase agreements to 20% of the total investments in the Pool. The Investment Policy states that the purpose of reverse repurchase agreements is to supplement the yield on securities owned by the Pool or to provide funds for the immediate payment of an obligation and that the maturity of the reverse repurchase agreement and the maturity of the security purchased be the same.

The Investment Policy also authorizes investments in covered call options or put options, which are options on the part of a third party to buy from the Pool a specified security within a finite time at a specified price. Under the Investment Policy, securities subject to covered calls are not to be used for reverse repurchase agreements, cash sufficient to pay for outstanding puts are to be invested in securities maturing on or before the expiration date of the option, the maximum maturity of a covered call option/put option is to be 90 days and not more than 10% of the total investments in the Pool could have options (in contrast to "derivatives") written against them at any one time.

The County from time to time has engaged in securities lending transactions. Generally, these transactions involve the transfer by the governmental entity, through an agent, of securities to certain broker-dealers and financial institutions or other entities in exchange for collateral, and this collateral may be cash or securities. Most commonly, these transactions provide for the return of the collateral to the securities borrower upon receipt of the same securities at a later date. Presently, the County has suspended its securities lending transactions program, but may decide to enter into a securities lending agreement with another custodian in the future. Any such securities lending transactions are considered reverse repurchase agreements under the Investment Policy and, accordingly, the total principal amount of reverse repurchase agreements and securities lending agreements may not exceed 20% of the Pool. Since the inception of the County's securities lending program in 1987, there has not been any loss of principal to the Pool resulting from these securities lending transactions or the investment of the related collateral.

Beginning early August 2007, the County Investment Pool halted all investments in asset-backed commercial paper and has no plans to resume investment in this type of security until the current credit crisis has passed. Further, the County Pool is not invested in any structured investment vehicles and has never invested in collateralized debt obligations.

In order to limit exposure to credit risk, the County Pool has limited purchases of corporate securities to maturities less than 60 days. In a few instances, the Pool has purchased maturities beyond 60 days for the sole purpose of duration management in the Pool's sub-portfolio, the Benchmark Portfolio. The Benchmark Portfolio consists of no more than 25% of the aggregated Pool assets at any given time. Within the Benchmark Portfolio, the allocation to corporate securities is approximately 10% or 2.5% of the total Pool assets.

Certain Information Relating to Pool

The following table reflects information with respect to the Pool as of the close of business April 30, 2011. As described above, a wide range of investments is authorized by state law. Therefore, there can be no assurances that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described below. In addition, the values specified in the following tables were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on April 30, 2011, the Pool necessarily would have received the values specified.

COUNTY OF SAN DIEGO POOLED MONEY FUND
As of APRIL 30, 2011

	Percent of Portfolio	Book Value	Market Price	Accrued Interest	Market Value	Net Unrealized Gain/(Loss)	Yield to Maturity	Weighted Average Days to Maturity
US Treasury Bill	0.58%	$ 39,997,997	99.98%	$ 0	$ 39,992,660	(5,337)	0.09%	23
US Treasury Notes	7.60%	516,707,848	102.06%	4,389,747	525,601,402	8,893,554	1.64%	404
FNMA Discount Notes	5.52%	381,991,816	99.91%	0	381,890,459	(101,357)	0.15%	161
Federal Farm Credit Bank Notes	4.00%	276,043,008	100.20%	1,338,600	276,773,714	730,706	1.52%	1,020
Federal Farm Credit Bank Disc Notes	7.79%	539,527,446	99.84%	0	539,134,170	(393,276)	0.24%	129
Federal Home Loan Bank Notes	7.85%	539,721,560	101.17%	1,519,263	543,177,874	3,456,314	1.67%	932
Federal Home Loan Bank Disc Notes	2.13%	147,178,407	99.93%	0	147,083,481	(94,925)	0.19%	19
Federal Home Loan Mortg. Corp. Disc Notes	8.68%	600,672,852	99.93%	0	600,471,836	(201,016)	0.17%	93
Federal Home Loan Mortg. Corp. Notes	4.71%	323,064,217	101.98%	2,334,858	325,652,811	2,588,594	1.79%	804
Fannie Mae	16.00%	1,104,890,412	100.79%	4,587,971	1,106,633,881	1,743,469	1.60%	1,003
Corporate Medium Term Notes	0.38%	25,224,971	103.86%	256,528	25,964,850	739,879	4.04%	298
Bond Fund	0.51%	35,000,000	100.30%	38,871	35,105,105	105,105	0.58%	431
Money Market Funds	0.94%	64,905,000	100.00%	4,488	64,905,000	0	0.01%	33
Repurchase Agreements	2.54%	175,955,002	100.00%	1,461	175,955,002	0	0.15%	2
Negotiable Certificates of Deposit	3.61%	250,000,000	100.00%	42,535	250,000,000	0	0.17%	23
Commercial Paper	26.36%	1,823,460,413	99.97%	0	1,823,146,597	(313,816)	0.19%	23
Collateralized/FDIC Certificates of Deposit	0.80%	55,161,000	100.00%	13,320	55,161,000	0	0.45%	143
Totals for April 2011	100.00%	$6,899,501,949	100.45%	$14,527,642	$6,916,649,842	$17,147,894	0.78%	382
Totals for March 2011	100.00%	$6,142,044,838	100.41%	$16,402,272	$6,151,223,538	$9,178,700	0.89%	425
Change From Prior Month		757,457,111	0.04%	($1,874,630)	$765,426,304	$7,969,194	(.11%)	(43)

	April Return	Annualized	Fiscal Year To Date Return	Annualized	Calendar Year To Date Return	Annualized
Book Value	0.053%	0.647%	0.675%	0.811%	0.235%	0.715%
Market Value	0.050%	0.611%	0.610%	0.733%	0.215%	0.655%

Source: County of San Diego, Treasurer-Tax Collector.

LEGAL MATTERS

The legal opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Bonds, will be supplied to the original purchasers of the Bonds without charge. A copy of the legal opinion will be attached to the Bonds. Bond Counsel will receive compensation contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Nossaman LLP.

TAX MATTERS

Tax-Exempt Bonds

The delivery of the Tax-Exempt Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Tax-Exempt Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), of the owners thereof pursuant to section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The delivery of the Tax-Exempt Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California that interest on the Tax-Exempt Bonds is exempt from personal income taxes of the State of California. A form of Bond Counsel's anticipated opinion is included as Appendix B. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

Interest on the Tax-Exempt Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate of even date with the initial delivery of the Tax-Exempt Bonds pertaining to the use, expenditure and investment of the proceeds of the Tax-Exempt Bonds and will assume continuing compliance with the provisions of the Resolution by the District subsequent to the issuance of the Tax-Exempt Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Tax-Exempt Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Tax-Exempt Bonds are to be invested, the calculation and payment to the United States Treasury of any "arbitrage profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Tax-Exempt Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should be aware that the ownership of tax-exempt obligations such as the Tax-Exempt Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

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

Tax Accounting Treatment of Discount and Premium on Tax-Exempt Bonds

The initial public offering prices of the Tax-Exempt Bonds that are Current Interest Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering prices of such Discount Bonds (assuming that a substantial amount of the Current Interest Bonds of such maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. Each of the Capital Appreciation Bonds and Convertible CABS ("Discount Bonds") will be deemed to be issued with original issue discount for federal income tax purposes, because the initial interest payment date is more than twelve months after such Bonds will be delivered to the initial purchasers. Additional original issue discount will also result if the initial public offering price of a Capital Appreciation Bond or Convertible CAB (assuming that a substantial amount of the Capital Appreciation Bonds or Convertible CABS of that maturity are sold to the public at such price) is less than the amount payable on Capital Appreciation Bond or Convertible CAB at its maturity. A portion of the original issue discount allocable to the holding period of a Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Tax-Exempt Bonds described above under "Tax Exempt Bonds." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount and, with respect to the Capital Appreciation Bonds and Convertible CABS, downward for the payments denominated as interest allocable to the period for which such Tax-Exempt Bond was held) is includable in gross income.

Owners of Tax-Exempt Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Tax-Exempt Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Tax-Exempt Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Tax-Exempt Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain of the Tax-Exempt Bonds that are Current Interest Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of Premium Bond (assuming that a substantial amount of the Current Interest Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Taxable Bonds

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the Taxable Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Taxable Bonds in light of the investor’s particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, and persons who have hedged the risk of owning the Taxable Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the Taxable Bonds as “capital assets” within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”), and acquire such Taxable Bonds for investment and not as a dealer or for resale. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the “Service”) with respect to any of the

U.S. federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TAXABLE BONDS.

Internal Revenue Service Circular 230 Notice. You should be aware that:

(i) the discussion with respect to United States federal tax matters in this Official Statement was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;

(ii) such discussion was written to support the promotion or marketing (within the meaning of IRS Circular 230) of the transactions or matters addressed by such discussion; and

(iii) each taxpayer should seek advice based on his or her particular circumstances from an independent tax advisor.

This notice is given solely for purposes of ensuring compliance with IRS Circular 230.

Payments of Stated Interest on the Taxable Bonds. The stated interest paid on the Taxable Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

Original Issue Discount. If a substantial amount of the Taxable Bonds of any stated maturity is purchased at original issuance for a purchase price (the "Issue Price") that is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Taxable Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Taxable Bonds at maturity over its Issue Price, and the amount of the original issue discount on the Taxable Bonds will be amortized over the life of the Taxable Bonds using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Taxable Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the Taxable Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the Taxable Bonds each taxable year will be reported annually to the Service and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds the Taxable Bonds will increase the adjusted tax basis of the Taxable Bonds in the hands of such beneficial owner.

Disposition of Taxable Bonds and Market Discount. A beneficial owner of Taxable Bonds will generally recognize gain or loss on the redemption, sale or exchange of a Taxable Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the Taxable Bonds. Generally, the beneficial owner's adjusted tax basis in the Taxable Bonds will be the beneficial owner's initial cost, increased by the original issue discount previously included in the beneficial owner's income to the date of disposition.

Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the Taxable Bonds.

Under current law, a purchaser of a Taxable Bond who did not purchase the Taxable Bonds in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the Taxable Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." Market discount is the amount by which the price paid for the Taxable Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the Taxable Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Taxable Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of Taxable Bonds could have a material effect on the market value of the Taxable Bonds.

Backup Withholding. Under section 3406 of the Code, a beneficial owner of the Taxable Bonds who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the Taxable Bonds. This withholding applies if such beneficial owner of Taxable Bonds: (i) fails to furnish to payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Taxable Bonds. Beneficial owners of the Taxable Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the Taxable Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Taxable Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Taxable Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Taxable Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge that such person is a United States person.

Reporting of Interest Payments. Subject to certain exceptions, interest payments made to beneficial owners with respect to the Taxable Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Taxable Bond for U.S. federal income tax purposes.

Certain State Income Tax Consequences. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest with respect to the Taxable Bonds is exempt from State of California personal income taxes.

LEGALITY FOR INVESTMENT

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

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned their municipal bond ratings of "Aa2" and "AA," respectively, to the Bonds. Such ratings reflect only the views of Moody's and S&P, respectively, and an explanation of the significance of such ratings may be obtained as follows: Moody's at 99 Church Street, New York, New York 10007, tel. (212) 553-0300 and S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Piper Jaffray & Co. ("Piper"), as Representative for the Tax-Exempt Bonds, has agreed to purchase the Tax-Exempt Bonds at the purchase price of $54,338,798.37 (reflecting par plus a net original issue premium in the amount of $2,120,542.80 less an Underwriters' discount of $529,982.38 and payment of certain costs of issuance in the amount of $250,000.00), at the rates and yields shown on the inside cover hereof. RBC Capital Markets, LLC ("RBC"), as Representative for the Taxable Bonds, has agreed to purchase the Taxable Bonds at the purchase price of $25,000,000.00 (reflecting the par amount of the Taxable Bonds). In lieu of an Underwriter's discount on the Taxable Bonds, at closing RBC will receive an underwriting fee of $250,000.00 from the original issue premium received on the Tax-Exempt Bonds.

Piper and RBC (together, the "Underwriters") may offer and sell the Bonds to certain dealers and others at yields other than the yields stated on the inside cover page. The offering prices, including the Bonds, may be changed from time to time by the Underwriters.

Piper has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings allocated to Piper at the original offering prices. Under the Distribution Agreement, Piper will share with AAM a portion of the fee or commission, exclusive of management fees, paid to Piper.

The Underwriters may have made voluntary contributions to support the Authorization. These contributions, if any, are reported to the California Secretary of State by the filing of a Major Donor and Independent Expenditure Committee Campaign Statement (California Fair Political Practices Commission Form 461).

NO LITIGATION

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

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Carlsbad Unified School District, 6225 El Camino Real, Carlsbad, California 92009.

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

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

CARLSBAD UNIFIED SCHOOL DISTRICT

By: /s/ John A. Roach, Ed. D.
Superintendent

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

FORM OF BOND COUNSEL OPINION

[Closing Date]

Board of Trustees
Carlsbad Unified School District
6225 El Camino Road
Carlsbad, California 92009

Re: $52,998,237.95 Carlsbad Unified School District 2006 Election General Obligation Bonds, 2011 Series C and $25,000,000 Carlsbad Unified School District 2006 Election General Obligation Bonds, 2011 Series D Qualified School Construction Bonds (Taxable Direct Subsidy Bonds)

Ladies and Gentlemen:

We have acted as bond counsel for the Carlsbad Unified School District, County of San Diego, State of California (the "District"), in connection with the issuance by the District of $52,998,237.95 aggregate principal or issue amount of the District's 2006 Election General Obligation Bonds, 2011 Series C (the "Series C Bonds") and $25,000,000 aggregate principal or issue amount of the District's 2006 Election General Obligation Bonds, 2011 Series D Qualified School Construction Bonds (Taxable Direct Subsidy Bonds) (the "Series D Bonds," and together with the Series C Bonds, the "Bonds"). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), and the resolution adopted by the Board of Trustees of the District on April 27, 2011 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolution and the Tax Exemption Certificate of the District for the Series C Bonds, dated the date hereof (the "Tax Certificate"). Our services as bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection we have also examined such certificates of public officials and officers of the District as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

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 or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series C Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute valid and binding obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount, except as to certain personal property which is taxable at limited rates.

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

3. It is further our opinion, based upon the foregoing, that pursuant to section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance with the provisions of the Resolution and in reliance upon representations and certifications of the District made in the Tax Certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Series C Bonds, when the Series C Bonds are delivered to and paid for by the initial purchasers thereof, interest on the Series C Bonds (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. Interest on the Series C Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

In our opinion, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California.

We express no other opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Series C Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, owners of an interest in a FASIT, individuals otherwise qualifying for the earned income tax credit, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Respectfully submitted,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

SELECTED INFORMATION REGARDING THE CITY OF CARLSBAD

The following information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the Underwriters. The District comprises only a portion of the City of Carlsbad, and the Bonds are only payable from *ad valorem* property taxes levied on property in the District.

City of Carlsbad

Carlsbad (the "City") is located within San Diego County (the "County") along the Pacific coastline. The City began as a stop along the California southern railroad and in the 1880's freshwater mineral wells, for which the City was named, were discovered where the City now lies. The City, which was incorporated on July 16, 1952, covers approximately 42 square miles in the northwestern region of the County of San Diego.

The City provides a full range of services normally associated with a municipality including police, fire, parks and recreation, library, planning and zoning, building and engineering, various maintenance services and administration. The City provides water services through the Carlsbad Municipal Water District, a subsidiary district of the City. The City Council serves as the Board of Directors for the Carlsbad Municipal Water District. Solid waste collection is provided through a franchise agreement with a local refuse collection service.

Government

Carlsbad is a general law city of the State of California with a council-manager form of government.

The City of Carlsbad is governed by a City Council of five members. Each Councilperson is elected from the City at large. The City Clerk and City Treasurer also are elected from the city at large. Elected officials must secure a majority of more than half of the votes cast, with run-offs if necessary.

The Council hires the City Manager and the City Attorney who serve at the pleasure of the City Council. The City Manager serves as the City's chief administrative officer and sees that the Council's programs are implemented. The duties of the City Manager are detailed in the Carlsbad Municipal Code.

Employment

The civilian labor force in the County increased in 2010, reaching an average of 1,557,500 workers for the year. The total employment component of the labor force decreased to 1,393,200. The County residents seeking employment averaged 164,300. Similar data for the City was not available for 2010.

CITY OF CARLSBAD, SAN DIEGO COUNTY, CALIFORNIA, AND UNITED STATES
Labor Force, Employment, and Unemployment[1]

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate[2]
2006				
City of Carlsbad	47,000	45,800	1,200	2.6
San Diego County	1,518,000	1,457,500	60,500	4.0
California	17,821,100	16,948,400	872,700	4.9
United States	151,413,000	144,419,000	7,001,000	4.6
2007				
City of Carlsbad	47,700	46,200	1,400	3.0
San Diego County	1,542,400	1,471,600	70,900	4.6
California	18,391,800	17,108,700	969,300	5.4
United States	153,124,000	146,047,000	7,078,000	4.6
2008				
City of Carlsbad	48,200	46,300	1,900	3.9
San Diego County	1,566,200	1,472,400	93,800	6.0
California	18,391,800	17,059,600	1,332,300	7.2
United States	154,287,000	145,362,200	8,924,000	5.8
2009				
City of Carlsbad	[3]	[3]	[3]	[3]
San Diego County	1,552,000	1,402,400	149,600	9.6
California	18,204,000	16,141,500	2,062,700	11.3
United States	154,142,000	139,877,000	14,265	9.3
2010				
City of Carlsbad	[3]	[3]	[3]	[3]
San Diego County	1,557,500	1,393,200	164,300	10.6
California	18,176,200	15,916,300	2,259,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6

[1] Data reflects employment status of individuals by place of residence.
[2] Unemployment rate is based on unrounded data.
[3] Data unavailable.
Source: California State Employment Development Department and U.S. Department of Labor.

Major Employers Within the City

The City is host to a diverse mix of major employers representing industries ranging from education and health services, to diversified manufacturing, financial services, retail trade and amusement and recreation. The following table lists the City's major employers. Many of the businesses listed in the following table have branch offices and/or production facilities in other areas of the County. Accordingly, not all employees of these businesses work within the City.

CITY OF CARLSBAD
MAJOR EMPLOYERS
2010[(1)]

	Employer	Product/Service	Number of Employees
1.	Callaway Golf	Golf Equipment Manufacturer	1,600
2.	Life Tech	Research Supply Manufacturer	1,300
3.	Carlsbad Unified School District	Public Education	950
4.	Gemological Institute of America	Gemological School	800
5.	Legoland California	Theme Park	700
6.	Taylor Made Golf Company	Golf Equipment Manufacturer	645
7.	La Costa Resort and Spa	Resort/Hotel	604
8.	City of Carlsbad	Incorporated City	603
9.	Park Hyatt Aviarn Resort, Golf & Spa	Resort/Hotel	600
10.	Acushnet (Cobra Golf, Titleist, Footjoy)	Golf Equipment Manufacturer	535

[(1)] Most current data available.
Source: Carlsbad Chamber of Commerce.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Industry

The following table shows the estimated number of labor force by industry group for 2006 through 2010.

**COUNTY OF SAN DIEGO
NON-AGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES
2006 through 2010 by Class of Work**

	2006	2007	2008	2009	2010[1]
Mining	500	400	300	400	400
Construction	92,600	87,000	76,200	61,100	55,500
Manufacturing	103,600	102,500	102,300	95,300	92,400
Transportation and Public Utilities	28,700	28,800	29,300	27,400	27,500
Wholesale and Retail Trade	192,700	193,600	186,700	172,200	169,200
Finance, Insurance, and Real Estate	76,900	73,600	69,200	69,800	67,100
Other Services	1,103,200	48,300	48,800	46,800	47,200
Government	217,700	222,400	225,200	224,500	226,000
Non Agriculture Total	1,299,900	1,308,800	1,299,200	1,231,400	1,220,200

[1] Most current year for which annual data available.
Source: California State Employment Development Department.

Building Permits

The table below provides a summary of the building permit valuations, and the number of new dwelling units authorized in the City of Carlsbad from 2007 through April 2011. The valuation of non-residential permits includes both private commercial construction and publicly funded, non-tax generating projects.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

CITY OF CARLSBAD
Building Permit Valuations
and Number of Dwelling Units
2007 through 2011

	2007	2008	2009	2010	2011[1]
Valuation					
Residential	$120,757,604	$74,518,917	$ 60,095,868	$117,124,761	$24,375,963
Nonresidential	130,879,208	94,203,639	43,012,076	61,706,669	31,095,496
Total	$251,636,812	$168,722,556	$103,107,944	$178,831,430	$58,724,186
Number of New Dwelling Units					
Single Family	218	156	158	376	68
Multiple Family	154	107	20	2	0
Total	372	263	178	378	68

(1) Data through April 2011.
Source: Construction Industry Research Board.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Commercial Activity

The City has both residential and industrial areas, with major manufacturers which include electronics, plastic, metals and furniture. Taxable transactions from 2005 through 2008 are summarized below. Taxable Transactions for 2009 are summarized in a separate table.

CITY OF CARLSBAD
Taxable Transactions 2005 through 2008
(in thousands)

	2005	2006	2007	2008
Retail Stores				
Apparel	$ 217,621	$ 226,447	$ 234,107	$ 235,612
General Merchandise	271,766	272,838	264,628	254,020
Food	63,510	69,562	73,819	73,532
Eating and Drinking	170,137	178,867	190,518	189,470
Home Furnishings and Appliances	60,204	59,933	61,302	54,165
Building Materials and Farm Implements	56,231	46,039	34,619	15,796
Auto Dealers and Auto Supplies	760,701	707,099	725,964	549,733
Service Stations	122,696	137,497	131,952	140,798
Other	195,980	211,888	210,214	185,283
Total Retail Stores	$1,918,846	$1,910,170	$1,927,123	$1,698,408
All Other Outlets	462,500	495,936	512,487	554,202
Total All Outlets	$2,381,346	$2,406,106	$2,439,610	$2,252,610

Source: California State Board of Equalization.

CITY OF CARLSBAD
Taxable Transactions in 2009[1]
(in thousands)

	2009
Retail and Food Services	
Motor Vehicle and Parts Dealers	$ 481,034
Home Furnishings and Appliance Stores	65,212
Bldg. Matrl. and Garden Equip. and Supplies	12,920
Food and Beverage Stores	77,323
Gasoline Stations	108,246
Clothing and Clothing Accessories Stores	270,570
General Merchandise Stores	214,382
Food Services and Drinking Places	185,759
Other Retail Group	114,582
Total Retail and Food Services	1,530,027
All Other Outlets	510,906
Total All Outlets	$2,040,933

(1) In 2009, the classifications of taxable transactions were revised.
Source: California State Board of Equalization.

Transportation

Centrally located in Southern California, the City is accessible to major transportation resources; surrounded by Interstates 5 and 78; served by Amtrak rail lines; 35 miles north of San Diego International Airport and from facilities at San Diego Harbor.

Public transportation through the City and surrounding communities is provided by the Metropolitan Transit System, a network of several agencies providing bus and, train services within San Diego County. Within the City, North Coast transit District ("NCTD") operates the Breeze, gas-powered buses which provide transportation linking the greater Northern San Diego County area. NCTD buses stop in multiple points within the City including Carlsbad Village and Plaza Camino Real.

The NCTD also operates the Coaster, a commuter train which travels north along the coast line to Oceanside and south to downtown San Diego as well as east from Carlsbad Village to major employment sites within Carlsbad located along Palomar Airport Road.

In addition, McClellan-Palomar Airport, a small commercial and private airport, is located within the City and is served by US Airways and United Express with regularly scheduled flights to LAX and Phoenix.

Education

Carlsbad is located near four major universities and two community colleges. As noted previously, the District serves most, but not all, of the City. Portions of the City are located within one other unified school district, a high school district and two elementary school districts.

Utilities

San Diego Gas & Electric provides electric power and natural gas in the City and to most communities in the County. Telephone service is provided by Cox Communications and SBC Communications Inc. The Carlsbad Municipal Water District ("CMWD"), a subsidiary district of the City, provides water to approximately 85 percent of the City, an area of about 32 square miles. Residents of the City not served by CMWD, receive water service from the Olivenhain Municipal Water District or the Vallecitos Water District.

Community Facilities and Recreation

The City is a beach community fronted by over six miles of coastline from Buena Vista Lagoon in the north to Batiquitos Lagoon in the south. Throughout the year, locals and tourists enjoy swimming, surfing, fishing, diving, jogging and relaxing at the City's beaches. The mile long Carlsbad seawall is a popular location for a walk along the beach or a run off of the sand. The City also has three lagoons with ecosystems which provide bird watching and nature walks as well as water sports such as non-motorized boating.

The City is home to many parks which offer a variety of leisure activities, including softball, volleyball and soccer in addition to providing playground equipment and picnic tables. Jazz concerts in the park have become a summer tradition in the City. Every Friday evening a thousand or more jazz enthusiasts bring their picnic baskets and chairs to enjoy a free concert under the stars at one of Carlsbad's community parks.

The City is also known for its golf facilities. The City is home to two world-class golf resorts and more than 30 golf industry businesses. A municipal golf course, set amongst the rolling hills of the City, will begin construction in the near future.

Attractions within the City include Legoland, California. Legoland is a Lego-based theme park with over 50 rides, shows and attractions catering to children from ages two to twelve and their families.

The Flowers Fields, located at Carlsbad Ranch, is a commercial ranunculus field open to the public with over 50 acres of giant tecolote ranunculus, a garden of miniature roses, Ecke poinsettias and a tractor tour of the Ranch that has been in operation for over 50 years.

Also located within the City is the Museum of Making Music. The Museum curates public exhibits that relate to the history of American popular music, the manufacture and retail of musical instruments and the history of the music products industry from 1890's to the present day. The Museum's galleries consist of more than 450 vintage instruments and artifacts on display, hundreds of audio samples of popular music and an area for visitors to interact with a variety of live, hands-on instruments. The museum also organizes public events, performances and lectures whose purpose is to entertain, educate and inform audiences of the benefits and heritage of making music.

APPENDIX C

CARLSBAD UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2010

CARLSBAD UNIFIED SCHOOL DISTRICT
COUNTY OF SAN DIEGO
CARLSBAD, CALIFORNIA

AUDIT REPORT

JUNE 30, 2010

Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020

Introductory Section

Carlsbad Unified School District
Audit Report
For The Year Ended June 30, 2010

TABLE OF CONTENTS

TABLE OF CONTENTS

Financial Section

Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020

Independent Auditor's Report on Financial Statements

Board of Trustees
Carlsbad Unified School District
Carlsbad, California

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carlsbad Unified School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Carlsbad Unified School 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carlsbad Unified School District as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2010, on our consideration of Carlsbad Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carlsbad Unified School District's financial statements as a whole. The introductory section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the financial statements. The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Wilkinson Hadley King & Co. LLP

El Cajon, California
September 3, 2010

CARLSBAD UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
For the Fiscal Year Ended June 30, 2010
(Unaudited)

This section of the Carlsbad Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2010.

FINANCIAL HIGHLIGHTS

- General Fund (Unrestricted and Restricted) expenditures exceeded revenues by $1,749,345 in fiscal year 2009-2010, bringing the ending fund balance to $16,712,892.

- The District maintained the required reserve levels, with $2.6 million designated for economic uncertainties at year-end, which is 3% of the total spending budget. The State requires most Districts to maintain a reserve of not less than 3%; additional reserves are recommended, particularly for districts that depend heavily on local property taxes.

- Student enrollment increased in fiscal year 2009-2010 by 200 students over prior year October count.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the Carlsbad Unified School District is comprised of three components:

- *Management Discussion and Analysis* providing a narrative introduction and analysis of the financial statements for the current and prior years.

- *District-Wide Financial Statements* providing both short-term and long-term information about the District's overall financial status.

- *Fund Financial Statements* providing individual aspects of District operations.

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis – for State and Local Government, issued in 1999. Certain comparative information between the current year and the prior year is required in the MD&A.

District-Wide Financial Statements

The district-wide statements report information about the District as a whole, using accounting methods similar to those used by private-sector companies. The statement of net assets includes all District assets and liabilities, such as land, buildings and long-term debt. All current year revenues and expenses are accounted for in the statements, regardless of when cash is received or paid, in compliance with the full accrual method of reporting.

The district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the total assets and total liabilities – present one measurement of the District's financial condition. Over time, the change in net assets is an indicator of whether the District's financial position is improving or not.

District-wide financial statements distinguish between *governmental activities* and *business-type activities*. Since Carlsbad Unified School District has no business-type activities, all district operations are reported within the category of governmental activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the component funds that jointly comprise the District budget. Funds are accounting devices used to track specific sources of funding and spending for particular programs. Some funds are required by state law. Others are established to control and manage money for particular purposes or to show that certain revenues are properly used.

The governmental fund financial statements tell how District operations are financed, as well as what remains available. The statements provide a detailed view of the short-term financial position of the District, without consideration of long-term assets and liabilities.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

Table 1 shows that District assets totaled over $300 million as of June 30, 2010. Major components of the asset balance are as follows: (1) Cash and investments represent a large component of district assets at $107.5 million; (2) Buildings represent the largest component valued at $127.3 million; (3) Land plus site improvements are valued at $58.7 million; and (4) Equipment at $24.3 million. Capital assets are valued at historical cost less depreciation of $35.6 million, and not market value. Market value for land and buildings owned is considerably higher than the book value reported here. Construction work in progress and other assets complete the total at June 30, 2010.

Liabilities totaled $209.3 million on June 30, 2010. Major components of the $198.7 million Long-term Liabilities are: (1) $51.2 million in outstanding obligations for Certificates of Participation (COPs) issued for new school construction and modernization projects; (2) General Obligation Bond debt issued for school construction and modernization constitutes $128.5 million; (3) Other general long-term debt was $6.7 million. Net OPEB Obligations were $4.4 million; compensated absences were $376,839; and capital leases were $7.5 million.

Overall, net assets of the Carlsbad Unified School District were $91.2 million on June 30, 2010. This represents an increase of $9.1 million over the course of the year (Table 2).

Table 1 – Net Assets

Assets	**June 30, 2009**	**June 30, 2010**
Current Assets:		
Cash	$ 136,065,301	$107,542,073
Other	7,306,449	7,472,477
Capital Assets:		
Land	36,276,875	36,276,875
Site Improvements	5,239,241	22,392,548
Buildings	93,532,408	127,297,780
Equipment	20,460,139	24,261,134
Work in Progress	28,463,135	10,795,937
Less Acc. Depr.	(31,250,104)	(35,598,583)
	$ 296,093,444	**$300,440,241**
Liabilities		
Current Liabilities	10,076,288	10,496,381
Long Term Liabilities	203,922,317	198,755,495
	$ 213,998,605	**209,251,876**
Net Assets	**$82,094,839**	**$ 91,188,365**

Table 2 Change in Net Assets

	2008-2009	**2009-2010**
Beginning Net Assets	$75,959,991	$82,094,839
Ending Net Assets	$82,094,839	$91,188,365
Change in net Assets	$ 6,134,848	$ 9,093,526

Governmental Activities

Table 3 shows the percentage of each revenue and expenditure to the total governmental revenues and expenditures in fiscal year 2008-2009 and fiscal year 2009-2010.

Table 3 – Governmental Activities

Revenues	June 30, 2009	%	June 30, 2010	%
Program Revenues:				
Charges for Services	$ 3,021,870	2.90 %	$ 2,958,345	2.67 %
Grants and Contributions	11,170,011	10.73 %	20,972,188	18.94 %
General Revenues:				
Taxes and Subventions	$ 71,146,276	68.34 %	$ 70,220,293	63.41%
State and Federal Unrestricted Aid	8,839,400	8.49 %	7,267,838	6.56 %
Interest and Investment Earnings	1,874,966	1.80 %	1,425,304	1.29 %
Special and Extraordinary Items	589,650	0.57%	0	0.00%
Miscellaneous	7,472,150	7.17 %	7,901,649	7.13 %
Total Revenues	**104,114,323**	**100.00%**	**110,745,617**	**100.00%**
Total Expenditures				
Instruction	$ 57,332,188	58.51 %	$ 59,407,455	58.43 %
Instruction – Related Services	9,197,776	9.44 %	8,743,277	8.60 %
Student Support Services	9,878,194	10.14 %	10,241,512	10.08 %
Maintenance and Operations	9,063,522	9.30 %	11,021,504	10.84 %
Data Processing	529,045	0.54 %	555,882	0.55 %
Administration	4,341,743	4.46 %	4,613,246	4.54 %
Interest on Long-Term Debt	5,385,053	5.53 %	6,138,679	6.04 %
Depreciation	0	0.00 %	0	0.00 %
Other	2,251,954	2.31 %	930,536	0.92 %
Total Expenditures	**$ 97,979,475**	**100.00 %**	**$101,652,091**	**100.00 %**
Revenues less Expenditures	**$ 6,134,848**		**$ 9,093,526**	

DISTRICT FUNDS

District accounts are organized into various "funds", each of which is a separate accounting identity. Governmental resources allocated to individual funds are recorded for the purpose of specific activities in accordance with laws, regulations and other requirements. The General Fund accounts for all financial resources of the District except those required to be in a Special Revenue Fund, Capital Project Fund, Debt Service Fund, Proprietary Fund, or Fiduciary Fund.

General Fund

General Fund (Unrestricted and Restricted) revenues totaled $85.93 million for fiscal year 2009-2010, a decrease of 2.15% from the prior year. General Fund expenditures plus transfers totaled $87.68 million, an increase of 4.52%. Because of the impact of the State's deteriorating financial condition, expenditures were curtailed for much of the fiscal year. Employee salaries and benefits remained the largest share of expenditures at 80.05%. The ending fund balance was $16.71 million on June 30, 2010.

Special Revenue Funds

- The *Deferred Maintenance Fund* accounts for State apportionments and District contributions for major maintenance of facilities.

- The *Cafeteria Fund* accounts for federal, state and local resources to operate the Child Nutrition program.

Capital Projects Funds

- The *Building Fund* accounts for the construction of facilities and buildings from the proceeds of general obligation bonds. The district issued $80 million in General Obligation Bonds, Series B in June 2009, and $40 million Series A in September 2007. The bond proceeds are being used to modernize Carlsbad High School, Aviara Oaks Middle School, Valley Middle School, and Buena Vista, Hope, Kelly, and Magnolia Elementary Schools, to improve technology infrastructure, and to build another high school. This year, a new classroom building with twelve classrooms was completed at Aviara Oaks Middle School. A brand new stadium was also constructed and opened for students' use at Carlsbad High School. The district spent a total of $25.2 million on the above projects in fiscal year 2008-09, and $28.2 million in fiscal year 2009-2010.

- The *Capital Facilities Fund* is used to account for resources received from developer impact fees, sometimes known as "school fees" or "developer fees". The downturn of the economy resulted in depressed local construction activity. The fee revenue continued to slide, from $866,507 in fiscal year 2007-2008, to $224,846 in fiscal year 2008-2009, and to $214,849 in fiscal year 2009-2010. Revenue is restricted for facilities projects.

- The *State School Facilities Fund* records apportionments from the State School Facilities Fund for new facility construction and modernization project costs. In June 2010, the district received $8.83 million from the state for its Carlsbad High School Stadium project. The State School Facilities Fund will reimburse the Building Fund for project related costs up to the state funded amount.

Debt Service Funds

- The *Bond Interest and Redemption Fund* accounts for the accumulation of resources for the repayment of District general obligation bonds.

Proprietary Funds

- The *Self-Insurance Fund* is used to separate monies associated with the self-insurance activities of the District. The ending balance at this time is sufficient to cover District current liabilities and reserves required by the actuarial analysis.

Fiduciary Funds

- *Student Body Funds* account for the activities of student groups. The District serves as fiscal agent for these restricted funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

- Capital outlay expenditures for fiscal year 2009-2010 were about $37 million, which included the $28.2 million spent in Building Funds.

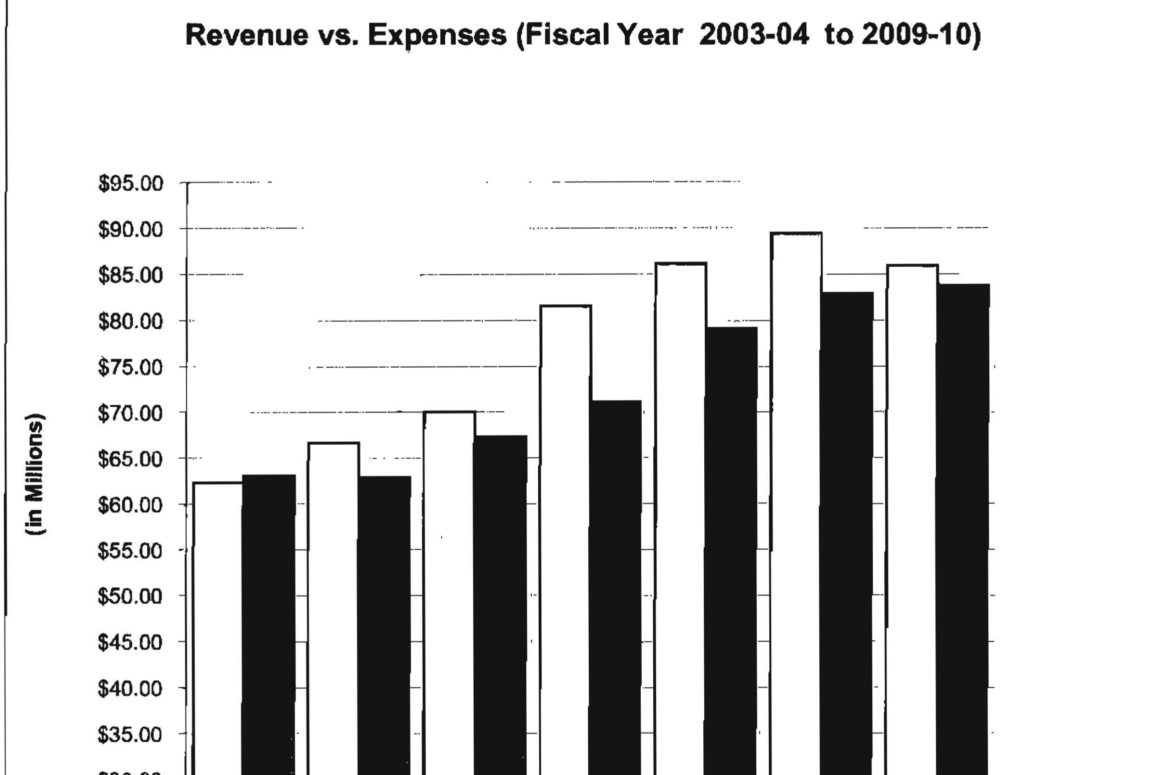
Long-Term Debt

The District consolidated the three outstanding Certificates of Participation into one Refunding Project 2009 Series A that amounts to $50.7 million. This contributed to the large principal payout of $53.1 million. The total principal payment for the fiscal year was $58.7 million. The principal repayments were summarized in the chart below. Funding for the District-wide energy retrofit / HVAC program came from the capital lease with Suntrust.

General Obligation Bonds	$ 4,356,558
Certificates of Participation	$ 53,155,412
Capital Leases	$ 290,382
Other General Long-Term Debt	$ 918,609

FACTORS AFFECTING THE DISTRICT'S FINANCIAL FUTURE

Carlsbad Unified School District remained in a sound financial position at the close of June 30, 2010. In May 2008, the District was classified by the State as a basic aid district, which means that local property taxes exceed the state funding guarantee. Despite the current sluggish economy and State budget conditions, property taxes received by Carlsbad Unified School District should continue to increase over time, although at a slower rate than in recent years.



	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
□ Series1	$62.30	$66.70	$70.00	$81.50	$86.12	$89.35	$85.93
■ Series2	$63.10	$62.90	$67.30	$71.10	$79.10	$82.82	$83.90

Table 4

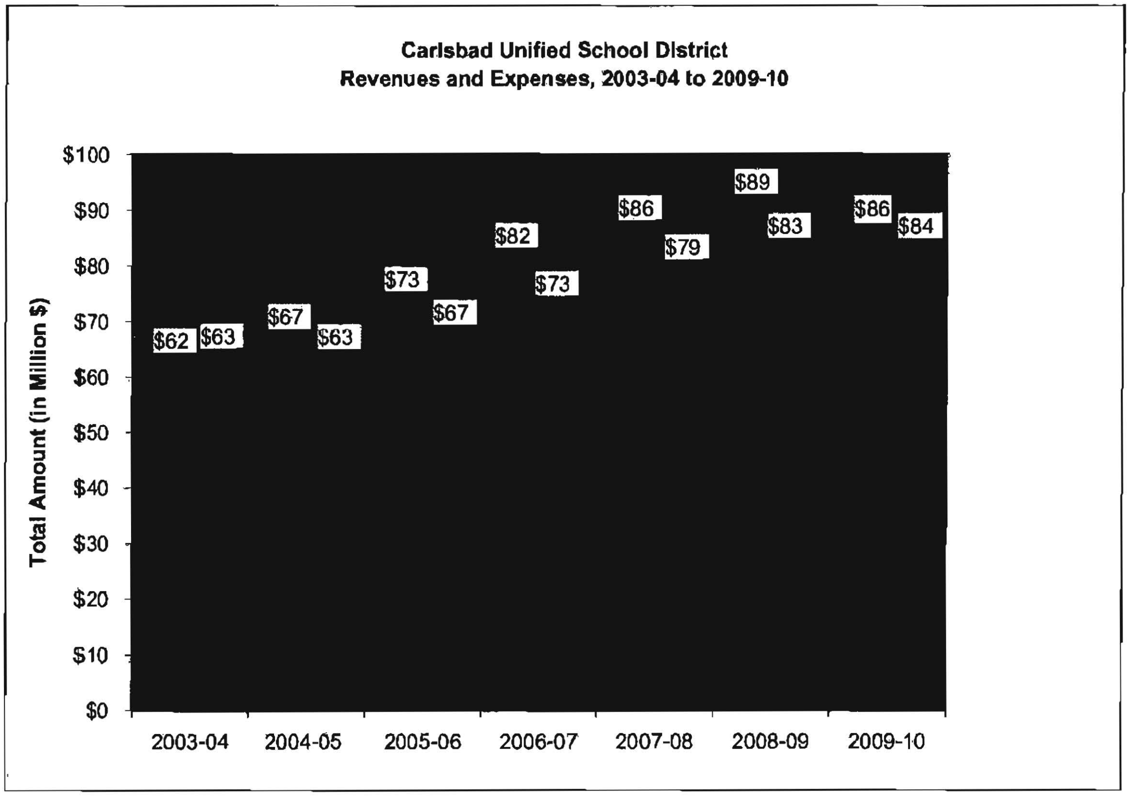


Table 5

Revenue per ADA in 2009-10 was $8,246, a decrease of 4.82% over 2008-09 and though the increase in revenue has slowed down, the expense per student has continued to rise.

Basic Financial Statements

CARLSBAD UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS:	
Cash in County Treasury	$ 101,528,130
Cash with Fiscal Agent	6,003,943
Cash in Revolving Fund	10,000
Accounts Receivable	5,859,262
Stores Inventories	141,659
Prepaid Expenses	1,471,556
Capital Assets:	
Land	36,276,875
Improvements	22,392,548
Buildings	127,297,780
Equipment	24,261,134
Work in Progress	10,795,937
Less Accumulated Depreciation	(35,598,583)
Total Assets	300,440,241
LIABILITIES:	
Accounts Payable	10,491,041
Deferred Revenues	5,340
Long-Term Liabilities	
Due within one year	6,219,337
Due in more than one year	192,536,158
Total Liabilities	209,251,876
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	65,129,174
Restricted For:	
Capital Projects	4,922,846
Debt Service	6,285,714
Educational Programs	853,114
Other Purposes (nonexpendable)	13,997,517
Total Net Assets	$ 91,188,365

The accompanying notes are an integral part of this statement.

CARLSBAD UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
PRIMARY GOVERNMENT:					
Government Activities:					
Instruction	$ 59,407,455	$ 1,054,331	$ 8,056,529	$ 8,839,621	$ (41,456,974)
Instruction-Related Services	8,743,277	71,158	610,406	-	(8,061,713)
Pupil Services	10,241,512	1,322,051	2,912,097	-	(6,007,364)
General Administration	5,169,128	96,257	325,174	-	(4,747,697)
Plant Services	11,021,504	-	1,317	-	(11,020,187)
Ancillary Services	657,269	-	-	-	(657,269)
Community Services	254,281	-	183,936	-	(70,345)
Interest on Long-Term Debt	6,138,679	-	-	-	(6,138,679)
Other Outgo	18,986	414,548	43,108	-	438,670
Total Governmental Activities	101,652,091	2,958,345	12,132,567	8,839,621	(77,721,558)
Total Primary Government	$ 101,652,091	$ 2,958,345	$ 12,132,567	$ 8,839,621	(77,721,558)

General Revenues:	
Taxes and Subventions	70,220,293
Federal and State Revenues, not restricted	7,267,838
Interest and Investment Earnings	1,425,304
Miscellaneous	7,901,649
Total General Revenues	86,815,084
Change in Net Assets	9,093,526
Net Assets - Beginning	82,094,839
Net Assets - Ending	$ 91,188,365

The accompanying notes are an integral part of this statement.

CARLSBAD UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Building Fund
ASSETS:		
Cash in County Treasury	$ 13,884,238	$ 60,319,791
Cash in Revolving Fund	10,000	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	5,435,102	129,764
Due from Other Funds	6,987	8,831,066
Stores Inventories	82,277	-
Total Assets	$ 19,418,604	$ 69,280,621
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 2,698,741	$ 5,059,133
Due to Other Funds	1,631	582
Deferred Revenue	5,340	-
Total Liabilities	2,705,712	5,059,715
Fund Balance:		
Reserved Fund Balances:		
Reserve for Revolving Cash	10,000	-
Reserve for Stores Inventories	82,277	-
Reserve for Legally Restricted Balance	853,112	-
Designated Fund Balances:		
Designated for Economic Uncertainties	2,630,523	-
Other Designated	13,136,980	-
Unreserved	-	64,220,906
Unreserved, reported in nonmajor:		
Special Revenue Funds	-	-
Debt Service Funds	-	-
Capital Projects Funds	-	-
Total Fund Balance	16,712,892	64,220,906
Total Liabilities and Fund Balances	$ 19,418,604	$ 69,280,621

The accompanying notes are an integral part of this statement.

County School Facilities Fund	Blended Component Unit	Other Governmental Funds	Total Governmental Funds
$ 9,614,016	$ -	$ 17,193,364	$ 101,011,409
-	-	-	10,000
-	-	5,592,886	5,592,886
1,997	-	271,744	5,838,607
-	-	1,631	8,839,684
-	-	59,381	141,658
$ 9,616,013	$ -	$ 23,119,006	$ 121,434,244
$ -	$ -	$ 96,187	$ 7,854,061
8,831,066	-	3,578	8,836,857
-	-	-	5,340
8,831,066	-	99,765	16,696,258
-	-	-	10,000
-	-	59,381	141,658
-	-	-	853,112
-	-	-	2,630,523
-	-	-	13,136,980
784,947	-	-	65,005,853
-	-	3,148,373	3,148,373
-	-	6,285,714	6,285,714
-	-	13,525,773	13,525,773
784,947	-	23,019,241	104,737,986
$ 9,616,013	$ -	$ 23,119,006	$ 121,434,244

CARLSBAD UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances - governmental funds balance sheet			$ 104,737,986
Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.			
Capital assets relating to governmental activities, at historical cost		221,024,274	
Accumulated depreciation		(35,598,583)	
	Net		185,425,691
Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:			1,471,556
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(2,404,447)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
General obligation bonds payable		128,461,518	
Net OPEB obligation		4,473,459	
Compensated absences payable		376,839	
Certificates of participation payable		51,168,132	
Other general long-term debt		6,736,724	
Capital leases payable		7,538,823	
	Total:		(198,755,495)
Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are:			713,074
Net assets of governmental activities - statement of net assets			$ 91,188,365

The accompanying notes are an integral part of this statement.

[THIS PAGE INTENTIONALLY LEFT BLANK]

CARLSBAD UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Building Fund
Revenues:		
Revenue Limit Sources:		
State Apportionments	$ (61,168)	$ -
Local Sources	63,464,556	-
Federal Revenue	6,050,814	-
Other State Revenue	7,042,475	-
Other Local Revenue	7,614,831	1,021,713
Total Revenues	84,111,508	1,021,713
Expenditures:		
Instruction	54,375,114	-
Instruction - Related Services	8,360,619	-
Pupil Services	7,595,594	-
Ancillary Services	652,281	-
Community Services	249,956	-
General Administration	4,736,211	-
Plant Services	7,193,874	28,220,461
Other Outgo	207,865	11,132
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	83,371,514	28,231,593
Excess (Deficiency) of Revenues Over (Under) Expenditures	739,994	(27,209,880)
Other Financing Sources (Uses):		
Transfers In	29,327	-
Transfers Out	(4,312,587)	(29,327)
Other Sources	1,793,921	-
Total Other Financing Sources (Uses)	(2,489,339)	(29,327)
Net Change in Fund Balance	(1,749,345)	(27,239,207)
Fund Balance, July 1	18,462,237	91,460,113
Fund Balance, June 30	$ 16,712,892	$ 64,220,906

The accompanying notes are an integral part of this statement.

County School Facilities Fund	Blended Component Unit	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ (61,168)
-	-	-	63,464,556
-	-	1,210,077	7,260,891
8,831,066	-	140,099	16,013,640
8,555	-	13,901,994	22,547,093
8,839,621	-	15,252,170	109,225,012
-	-	-	54,375,114
-	-	-	8,360,619
-	-	2,350,729	9,946,323
-	-	-	652,281
-	-	3	249,959
-	-	112,745	4,848,956
8,831,066	-	3,224,799	47,470,200
-	-	-	218,997
-	54,005,000	4,646,941	58,651,941
-	1,619,547	4,450,214	6,069,761
8,831,066	55,624,547	14,785,431	190,844,151
8,555	(55,624,547)	466,739	(81,619,139)
-	55,624,547	4,312,587	59,966,461
-	-	(55,624,547)	(59,966,461)
-	-	49,384,623	51,178,544
-	55,624,547	(1,927,337)	51,178,544
8,555	-	(1,460,598)	(30,440,595)
776,392	-	24,479,839	135,178,581
$ 784,947	$ -	$ 23,019,241	$ 104,737,986

CARLSBAD UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds		$	(30,440,595)
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
Expenditures for capital outlay	37,065,486		
Depreciation expense	(4,361,489)		
Net			32,703,997
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			58,651,941
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:			(51,178,544)
Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:			200,012
Earned but unavailable revenues: In governmental funds, revenues are recognized only to the extent they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenues are recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period is:			1,520,606
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:			(68,918)
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when the employer contributions are made. In the statement of activities, costs are measured and recognized in relation to the annual required contribution. The annual required contribution is the normal costs related to the current period plus a calculated amount necessary to systematically amortize any unfunded liability in accordance with generally accepted accounting principles. This year, the difference between the annual required contribution and amounts actually funded was:			(2,347,119)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:			(28,476)

Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:		80,622
Change in net assets of governmental activities - statement of activities	$	9,093,526

The accompanying notes are an integral part of this statement.

CARLSBAD UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
INTERNAL SERVICE FUND
JUNE 30, 2010

	Nonmajor Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	$ 516,718
Cash with a Fiscal Agent/Trustee	411,057
Accounts Receivable	20,658
Total Current Assets	948,433
Total Assets	$ 948,433
LIABILITIES:	
Current Liabilities:	
Accounts Payable	$ 232,533
Due to Other Funds	2,827
Total Current Liabilities	235,360
Total Liabilities	235,360
NET ASSETS:	
Unrestricted Net Assets	713,073
Total Net Assets	$ 713,073

The accompanying notes are an integral part of this statement.

CARLSBAD UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	$ 1,175,181
Total Revenues	1,175,181
Operating Expenses:	
Services and Other Operating Expenses	1,094,558
Total Expenses	1,094,558
Operating Income (Loss)	80,623
Change in Net Assets	80,623
Total Net Assets - Beginning	632,450
Total Net Assets - Ending	$ 713,073

The accompanying notes are an integral part of this statement.

CARLSBAD UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Nonmajot Internal Service Fund
	Self Insurance Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 1,168,365
Cash Payments to Other Suppliers for Goods and Services	(1,037,303)
Net Cash Provided (Used) by Operating Activities	131,062
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	7,275
Net Cash Provided (Used) for Investing Activities	7,275
Net Increase (Decrease) in Cash and Cash Equivalents	138,337
Cash and Cash Equivalents at Beginning of Year	789,438
Cash and Cash Equivalents at End of Year	$ 927,775
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ 80,623
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	565
Increase (Decrease) in Accounts Payable	57,255
Increase (Decrease) in Due to Other Funds	(106)
Total Adjustments	57,714
Net Cash Provided (Used) by Operating Activities	$ 138,337

The accompanying notes are an integral part of this statement.

CARLSBAD UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Agency Fund Student Body Fund
ASSETS:	
Cash in County Treasury	$ 543,294
Cash on Hand and in Banks	224,890
Accounts Receivable	1,163
Store Inventories	8,132
Total Assets	$ 777,479
LIABILITIES:	
Due to Student Groups	$ 777,479
Total Liabilities	777,479
NET ASSETS:	
Total Net Assets	$ -

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

Carlsbad Unified School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has two component units, the Carlsbad Unified School District Educational Facilities Corporation and the Carlsbad Unified School District Community Facilities District's (CFD's). Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Building Fund. This fund accounts for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

Debt Service Fund for Blended Component Units. This fund accounts for the debt service of the District's Community Facilities Districts and Facilities Corporation.

County School Facilities Fund. This fund is used to account for apportionments received from the State School Facilities Fund authorized by by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.

In addition, the District reports the following fund types:

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds. These funds are used to account for the acquisition and/or construction of all major governmental capital assets.

Debt Service Funds. These funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

4. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	25-50
Building Improvements	10-50
Vehicles	5-15
Office Equipment	5-15
Computer Equipment	5-15

There are no significant receivables which are not scheduled for collection within one year of year end.

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e. Deferred Revenue

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

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

h. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflect the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Excess of Expenditures Over Appropriations

As of June 30, 2010, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category		Excess Expenditures
General Fund:		
Certificated salaries	$	809,881
Classified salaries		68,531
Other outgo		9,115

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool ($102,071,424 as of June 30, 2010). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $102,071,424. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks ($224,890 as of June 30, 2010) and in the revolving fund ($10,000) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2010 are shown below.

Investment or Investment Type		Fair Value
US Treasury Obligations	$	2,063,187
Certificates of Deposit		411,057
MBIA Investment Contracts		3,529,699
Total Investments	$	6,003,943

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

5. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

E. Accounts Receivable

Accounts receivable at June 30, 2010 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Federal Government:					
Federal programs	$ 1,980,180	$ 227,469	$ -	$ -	$ 2,207,649
State Government:					
Lottery	650,138	-	-	-	650,138
Categorical aid programs	48,415	-	-	-	48,415
Other state programs	894,439	11,606	-	-	906,045
Local Sources:					
Interest	68,789	6,256	147,315	21,821	244,181
Other local sources	1,793,141	10,859	-	-	1,804,000
Totals	$ 5,435,102	$ 256,190	$ 147,315	$ 21,821	$ 5,860,428

F. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 36,276,875	$ -	$ -	$ 36,276,875
Work in progress	28,463,135	5,179,625	22,846,823	10,795,937
Total capital assets not being depreciated	64,740,010	5,179,625	22,846,823	47,072,812
Capital assets being depreciated:				
Buildings	93,532,408	33,765,372	-	127,297,780
Improvements	5,239,241	17,153,307	-	22,392,548
Equipment	20,460,139	3,814,005	13,010	24,261,134
Total capital assets being depreciated	119,231,788	54,732,684	13,010	173,951,462
Less accumulated depreciation for:				
Buildings	(20,935,007)	(2,435,085)	-	(23,370,092)
Improvements	(3,642,211)	(604,365)	-	(4,246,576)
Equipment	(6,672,886)	(1,322,039)	(13,010)	(7,981,915)
Total accumulated depreciation	(31,250,104)	(4,361,489)	(13,010)	(35,598,583)
Total capital assets being depreciated, net	87,981,684	50,371,195	-	138,352,879
Governmental activities capital assets, net	$ 152,721,694	$ 55,550,820	$ 22,846,823	$ 185,425,691

Depreciation was charged to functions as follows:

Instruction	$ 3,502,312
Instruction-Related Services	119,383
Pupil Services	9,137
General Administration	284,638
Plant Services	446,019
	$ 4,361,489

G. Accounts Payable

Accounts payable at June 30, 2010 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Vendor payables	$ 980,391	$ 43,959	$ 5,070,822	$ 227,771	$ 6,322,943
Payroll and related benefits	1,016,363	35,472	5,067	4,762	1,061,664
Retroactive 2009-10 payroll	701,987	-	-	-	701,987
Totals	$ 2,698,741	$ 79,431	$ 5,075,889	$ 232,533	$ 8,086,594

H. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2010, consisted of the following:

Due To Fund	Due From Fund	Amount
General Fund	Adult Education Fund	$ 2
Building Fund	County School Facilities Fund	8,831,066
General Fund	Cafeteria Fund	3,576
Cafeteria Fund	General Fund	1,631
General Fund	Building Fund	582
General Fund	Self Insurance Fund	2,827
	Total	$ 8,839,684

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2010, consisted of the following:

Transfers From	Transfers To	Amount
General Fund	Cafeteria Fund	$ 225,000
General Fund	Deferred Maintenance Fund	3,616,798
Blended Component Units Fund	Blended Component Units Fund	55,624,547
General Fund	Capital Facilities Fund	470,789
Building Fund	General Fund	29,327
	Total	$ 59,966,461

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

I. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

Description	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes	$ -	$ 8,700,000	$ 8,700,000	$ -

J. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2010, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 132,818,076	$ -	$ 4,356,558	$ 128,461,518	$ 2,929,437
Capital leases	7,829,205	-	290,382	7,538,823	303,834
Certificates of participation	53,145,000	50,710,000	53,145,000	50,710,000	1,615,000
Special tax bonds	6,195,000	-	860,000	5,335,000	920,000
Compensated absences *	348,363	28,476	-	376,839	376,839
Net OPEB Obligation	2,126,340	3,067,440	720,321	4,473,459	
Bond Premium	1,460,333		58,609	1,401,724	58,609
COPS Premium	-	468,544	10,412	458,132	15,618
Total governmental activities	$ 203,922,317	$ 54,274,460	$ 59,441,282	$ 198,755,495	$ 6,219,337

* Other long-term liabilities
The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, net of certificates of participation including premium, and net OPEB obligation at June 30, 2010 are as follows:

	Governmental Activities		
Year Ending June 30,	Principal	Interest	Total
2011	$ 4,588,719	$ 5,129,912	$ 9,718,631
2012	4,637,554	5,199,372	9,836,926
2013	5,074,573	5,291,286	10,365,859
2014	5,558,727	5,439,560	10,998,287
2015	6,208,261	5,685,795	11,894,056
2016-2020	29,406,453	35,003,483	64,409,936
2021-2025	30,907,560	33,874,507	64,782,067
2026-2030	31,051,883	20,437,645	51,489,528
2031-2035	25,680,174	20,372,626	46,052,800
Totals	$ 143,113,904	$ 136,434,186	$ 279,548,090

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2010, as follows:

Year Ending June 30:		
2011	$	645,672
2012		645,672
2013		645,672
2014		645,672
2015		645,672
2016-2020		3,228,360
2021-2025		3,228,360
2026-2030		1,226,037
Total Minimum Lease Payments		10,911,117
Less Amount Representing Interest		(3,372,294)
Net Minimum Lease Payments	$	7,538,823

4. Certificates of Participation

Future commitments for certificates of participation, including amortization of premium as of June 30, 2010 are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	$ 1,630,618	$ 2,344,312	$ 3,974,930
2012	1,490,618	2,313,413	3,804,031
2013	1,535,618	2,275,862	3,811,480
2014	1,590,618	2,217,488	3,808,106
2015	1,665,618	2,151,412	3,817,030
2016-2020	6,793,090	9,866,344	16,659,434
2021-2025	8,578,090	8,019,000	16,597,090
2026-2030	10,938,090	5,610,500	16,548,590
2031-2035	11,148,090	2,720,500	13,868,590
2036-2040	5,322,682	657,875	5,980,557
2041-2042	475,000	13,875	488,875
Totals	$ 51,168,132	$ 38,190,581	$ 89,358,713

5. 2009 Refunding Certificates of Participation

On October 27, 2009, the District issued $50,710,000 of 2009 Refunding Certificates of Participation. The certificates of participation consist of serial certificates of $19,395,000 that bear fixed interest rates ranging from 2.00% to 5.00% and $31,315,000 in term certificates that bear a fixed interest rate of 5.00% with annual maturities from September 2010 through September 2041. The net proceeds of $50,016,835 (after insurance premium of $578,544, underwriters discount of $583,165, plus premium of $468,544) were used to refund $8,005,000 of the District's outstanding 1997 Series Certificates of Participation, $22,280,000 of the District's outstanding 2000 Series Certificates of Participation, and $22,080,000 of the District's outstanding 2001 Series Certificates of Participation, in addition to paying the costs of issuance associated with the refunding certificates of participation.

The net proceeds were deposited into individual escrow funds for the refunding of the 1997, 2000, and 2001 Certificates of Participation with remaining funds deposited to a debt service reserve fund for the 2009 Certificates of Participation. The outstanding 2000 and 2001 Certificates of Participation were paid in full on November 2, 2009 and the outstanding 1997 Certificates of Participation were paid in full on December 1, 2009.

The refunding increased the District's total debt service payments by $847,518.

Increase in Debt Service Payments:		
2009 Refunding COPS	$	89,910,335
Old Debt - 1997, 2000, and 2001 COPS		89,062,817
Increase in Debt Service Payments	$	847,518
Present Value Used as Effective Rate Target:		
Face amount of 2009 Certificates of Participation	$	50,710,000
Premium		468,544
All Costs Not Recoverable Through Escrow Rate Earnings		(266,442)
Present Value Used as Effective Rate Target	$	50,912,102
Economic Gain:		
Present Value of Old Debt	$	54,989,065
Present Value of 2009 Refunding COPS		50,912,102
Calculated Economic Gain	$	4,076,963

K. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRM). The relationship between the District and the JPA is such that the JPA is not a component unit of the District.

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Combined condensed audited financial information of the District's share of the JPA for the year ended June 30, 2010 was not available. Combined condensed audited financial information for the year ended June 30, 2009 is as follows:

Total Assets	$	3,304,581
Total Liabilities		1,912,712
Total Fund Balance		1,391,869
Total Cash Receipts		2,101,664
Total Cash Disbursements		1,698,863
Net Change in Fund Balance		402,801

L. Employee Retirement Systems

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

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. 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 95814.

Funding Policy

Active plan members are required to contribute 7% 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 2009-10 was 9.70% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2010, 2009 and 2008 were $1,095,087, $102,071,424 and $1,098,888, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2010, 2009 and 2008 were $3,466,053, $3,448,824 and $3,412,800, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was $1,791,721.

M. Postemployment Benefits Other Than Pension Benefits

Plan Description

The Carlsbad Unified School District (District) administers a single-employer healthcare plan (Plan). The plan provides medical benefits to eligible retirees and their eligible dependents to age 65. Eligibility for retiree health benefits requires retirement from the District with at least 10 years of eligible service (15 years for Classified employees). The retirees are required to contribute to the cost of the health care coverage based on an active employee contribution schedule. Membership of the plan consists of approximately 979 eligible active employees and 76 eligible retirees.

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the Teachers Association (CEA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2009-10, the District contributed $720,321 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment benefit (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 Districts annual OPEB cost of the year, the amount actually contributed to the plan and changes in the District's net obligation to the Plan:

Annual required contribution	$	3,045,167
Interest on net OPEB obligation		22,273
Adjustment to annual required contribution		-
Annual OPEB cost (expense)		-
Contribution made		(720,321)
Increase in net OPEB obligation		2,347,119
Net OPEB obligation, beginning of year		2,126,340
Net OPEB obligation, end of year	$	4,473,459

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 was as follows:

Year Ended June 30,		Annual Required Contribution	Percentage Contributed		Net OPEB Obligation
2010	$	3,045,167	24%	$	2,347,119

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. 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.

Actuarial Methods and Assumptions

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

In the July 1, 2008 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

Medical cost trend rates ranged from an initial rate of 9.0% reduced to a rate of 5.0% after ten years. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2010 of 28 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

N. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has one self-insurance fund (Internal Service Fund) to account for and finance its uninsured risks of loss. The Internal Service Fund provides dental and vision coverage to employees.

All funds of the District participate in the program, but only the General Fund makes payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a liability for open claims and Incurred But Not Reported (IBNR) claims. The claims and liability of $216,093 is included in the liabilities under accounts payable and is reported in accordance with Financial Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated at the end of the fiscal year. Changes in the Internal Service Fund's claim liability in the fiscal year ended June 30, 2010 are indicated below:

Internal Service Fund:	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Year 2009-10	$ 175,277	$ 1,049,689	$ 1,008,873	$ 216,093

O. Construction Commitments

As of June 30, 2010 the District had the following commitments with respect to unfinished capital projects:

		Commitment	*Expected Date of Final Completion
Construction in Process:			
Buena Vista Elementary-Modernization	$	242,200	September 2010
Hope Elementary-Modernization		608,075	September 2010
Magnolia Elementary-Modernization		182,356	September 2010
Kelly Elementary-Kitchen Expansion		828,988	October 2010
Valley Middle School-Modernization		2,541,500	September 2010
Carlsbad High School-New Classrooms		45,739,460	October 2011

* Expected date of final completion subject to change

P. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

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

Q. Adjustment to Beginning Fund Balance

The General Fund beginning fund balance was restated due to the re-appropriation of categorical programs by virtue of the ABX3 4 reversion of undistributed categorical program balances from the prior year. Based on the reversion of undistributed categorical balances from the prior year, the adjustment to the District's beginning general fund balance is as follows:

Beginning July 1, 2009 Audited General Fund Balance-Originally Stated	$	16,941,631
Adjustment due to ABX3 4 Reversion of Categorical Programs		1,520,606
Beginning July 1, 2009 Audited General Fund Balance-As Restated	$	18,462,237

R. Subsequent Events

In July 2010, the District entered into the County of San Diego and San Diego County School Districts 2010 Pooled Tax and Revenue Anticipation Notes (TRANS) in the amount of $6,125,000. The notes mature on January 31, 2011 and were sold to supplement the District's cash flows and bear interest at a rate of 2.00%.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CARLSBAD UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Revenue Limit Sources:				
State Apportionments	$ -	$ -	$ (61,168)	$ (61,168)
Local Sources	62,992,057	63,782,459	63,464,556	472,499
Total Revenue Limit	62,992,057	63,782,459	63,403,388	(379,071)
Federal	4,001,029	5,785,477	6,050,814	265,337
Other State	9,583,234	6,941,911	7,042,475	100,564
Other Local	5,782,911	7,353,936	7,614,831	260,895
Total Revenues	82,359,231	83,863,783	84,111,508	247,725
Expenditures:				
Current:				
Certificated Salaries	42,481,494	42,103,654	42,913,535	(809,881)
Classified Salaries	11,066,770	11,321,047	11,389,578	(68,531)
Employee Benefits	15,917,662	16,000,737	15,888,695	112,042
Books And Supplies	3,170,454	4,198,196	3,892,000	306,196
Services And Other Operating Expenditures	11,000,114	10,850,602	9,324,364	1,526,238
Other Outgo	(109,788)	(108,838)	(99,723)	(9,115)
Capital Outlay	66,822	110,423	63,065	47,358
Total Expenditures	83,593,528	84,475,821	83,371,514	1,104,307
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,234,297)	(612,038)	739,994	1,352,032
Other Financing Sources (Uses):				
Transfers In	-	1,823,248	29,327	(1,793,921)
Transfers Out	(1,356,443)	(4,312,587)	(4,312,587)	-
Other Sources	-	-	1,793,921	1,793,921
Total Other Financing Sources (Uses)	(1,356,443)	(2,489,339)	(2,489,339)	-
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	(2,590,740)	(3,101,377)	(1,749,345)	1,352,032
Fund Balances, July 1	18,462,237	18,462,237	18,462,237	-
Fund Balances, June 30	$ 15,871,497	$ 15,360,860	$ 16,712,892	$ 1,352,032

CARLSBAD UNIFIED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Acturial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/09	$ -	$ 23,978,144	$ 23,978,144	-	$ 54,949,969	43.6%
6/30/10	-	23,978,144	23,978,144	-	55,370,860	43.3%

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CARLSBAD UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	$ 2,973,561	$ 6,285,714	$ 7,934,089	$ 17,193,364
Cash with a Fiscal Agent/Trustee	-	-	5,592,886	5,592,886
Accounts Receivable	256,190	-	15,554	271,744
Due from Other Funds	1,631	-	-	1,631
Stores Inventories	59,381	-	-	59,381
Total Assets	$ 3,290,763	$ 6,285,714	$ 13,542,529	$ 23,119,006
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 79,431	$ -	$ 16,756	$ 96,187
Due to Other Funds	3,578	-	-	3,578
Total Liabilities	83,009	-	16,756	99,765
Fund Balance:				
Reserved Fund Balances:				
Reserve for Stores Inventories	59,381	-	-	59,381
Unreserved, reported in nonmajor:				
Special Revenue Funds	3,148,373	-	-	3,148,373
Debt Service Funds	-	6,285,714	-	6,285,714
Capital Projects Funds	-	-	13,525,773	13,525,773
Total Fund Balance	3,207,754	6,285,714	13,525,773	23,019,241
Total Liabilities and Fund Balances	$ 3,290,763	$ 6,285,714	$ 13,542,529	$ 23,119,006

CARLSBAD UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	$ 1,210,077	$ -	$ -	$ 1,210,077
Other State Revenue	100,113	39,986	-	140,099
Other Local Revenue	1,306,957	6,778,864	5,816,173	13,901,994
Total Revenues	2,617,147	6,818,850	5,816,173	15,252,170
Expenditures:				
Pupil Services	2,350,729	-	-	2,350,729
Community Services	3	-	-	3
General Administration	106,291	-	6,454	112,745
Plant Services	1,234,126	-	1,990,673	3,224,799
Debt Service:				
Principal	-	4,356,559	290,382	4,646,941
Interest	-	4,094,924	355,290	4,450,214
Total Expenditures	3,691,149	8,451,483	2,642,799	14,785,431
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,074,002)	(1,632,633)	3,173,374	466,739
Other Financing Sources (Uses):				
Transfers In	3,841,798	-	470,788	4,312,586
Transfers Out	-	-	(55,624,547)	(55,624,547)
Other Sources	(1,793,921)	-	51,178,544	49,384,623
Total Other Financing Sources (Uses)	2,047,877	-	(3,975,215)	(1,927,338)
Net Change in Fund Balance	973,875	(1,632,633)	(801,841)	(1,460,599)
Fund Balance, July 1	2,233,879	7,918,347	14,327,614	24,479,840
Fund Balance, June 30	$ 3,207,754	$ 6,285,714	$ 13,525,773	$ 23,019,241

CARLSBAD UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Adult Education Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	$ 2	$ -
Accounts Receivable	-	-
Due from Other Funds	-	-
Stores Inventories	-	-
Total Assets	$ 2	$ -
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ -	$ -
Due to Other Funds	2	-
Total Liabilities	2	-
Fund Balance:		
Reserved Fund Balances:		
Reserve for Stores Inventories	-	-
Unreserved, reported in nonmajor:		
Special Revenue Funds	-	-
Total Fund Balance	-	-
Total Liabilities and Fund Balances	$ 2	$ -

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
$ 535,832	$ 2,437,727	$ 2,973,561
250,901	5,289	256,190
1,631	-	1,631
59,381	-	59,381
$ 847,745	$ 2,443,016	$ 3,290,763
$ 43,887	$ 35,544	$ 79,431
3,576	-	3,578
47,463	35,544	83,009
59,381	-	59,381
740,901	2,407,472	3,148,373
800,282	2,407,472	3,207,754
$ 847,745	$ 2,443,016	$ 3,290,763

CARLSBAD UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Adult Education Fund	Child Development Fund
Revenues:		
Federal Revenue	$ -	$ -
Other State Revenue	-	-
Other Local Revenue	87	1
Total Revenues	87	1
Expenditures:		
Pupil Services	-	-
Community Services	-	3
General Administration	-	-
Plant Services	-	-
Total Expenditures	-	3
Excess (Deficiency) of Revenues Over (Under) Expenditures	87	(2)
Other Financing Sources (Uses):		
Transfers In	-	-
Other Sources	(36,071)	-
Total Other Financing Sources (Uses)	(36,071)	-
Net Change in Fund Balance	(35,984)	(2)
Fund Balance, July 1	35,984	2
Fund Balance, June 30	$ -	$ -

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
$ 1,210,077	$ -	$ 1,210,077
100,113	-	100,113
1,282,855	24,014	1,306,957
2,593,045	24,014	2,617,147
2,350,729	-	2,350,729
-	-	3
106,291	-	106,291
786	1,233,340	1,234,126
2,457,806	1,233,340	3,691,149
135,239	(1,209,326)	(1,074,002)
225,000	3,616,798	3,841,798
-	(1,757,850)	(1,793,921)
225,000	1,858,948	2,047,877
360,239	649,622	973,875
440,043	1,757,850	2,233,879
$ 800,282	$ 2,407,472	$ 3,207,754

CARLSBAD UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2010

	Capital Facilities Fund	Blended Component Unit	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ 1,882,938	$ 6,051,151	$ 7,934,089
Cash with a Fiscal Agent/Trustee	-	5,592,886	5,592,886
Accounts Receivable	3,809	11,745	15,554
Total Assets	$ 1,886,747	$ 11,655,782	$ 13,542,529
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 16,151	$ 605	$ 16,756
Total Liabilities	16,151	605	16,756
Fund Balance:			
Unreserved, reported in nonmajor:			
Capital Projects Funds	1,870,596	11,655,177	13,525,773
Total Fund Balance	1,870,596	11,655,177	13,525,773
Total Liabilities and Fund Balances	$ 1,886,747	$ 11,655,782	$ 13,542,529

CARLSBAD UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Capital Facilities Fund	Blended Component Unit	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	$ 234,857	$ 5,581,316	$ 5,816,173
Total Revenues	234,857	5,581,316	5,816,173
Expenditures:			
General Administration	6,454	-	6,454
Plant Services	66,006	1,924,667	1,990,673
Debt Service:			
Principal	290,382	-	290,382
Interest	355,290	-	355,290
Total Expenditures	718,132	1,924,667	2,642,799
Excess (Deficiency) of Revenues Over (Under) Expenditures	(483,275)	3,656,649	3,173,374
Other Financing Sources (Uses):			
Transfers In	470,789	-	470,789
Transfers Out	-	(55,624,547)	(55,624,547)
Other Sources	-	51,178,544	51,178,544
Total Other Financing Sources (Uses)	470,789	(4,446,003)	(3,975,214)
Net Change in Fund Balance	(12,486)	(789,354)	(801,840)
Fund Balance, July 1	1,883,082	12,444,531	14,327,613
Fund Balance, June 30	$ 1,870,596	$ 11,655,177	$ 13,525,773

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

CARLSBAD UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2010

The Carlsbad Unified School District was established in 1921, and encompasses approximately 30 square miles and includes most of the City of Carlsbad and a small part of the City of Oceanside in San Diego County. The Carlsbad Unified School District provides a quality educational program for approximately 10,900 students in grades K-12 plus preschool. The District is currently operating nine elementary schools, three middle schools, one high school, one continuation school, and one alternative school that includes an opportunity program, full-time independent study, and adult education.

Governing Board

Name	Office	Term and Term Expiration
Mark Tanner	President	Four year term Expires December 2010
Lisa Rodman	Vice President	Four year term Expires December 2010
Kelli Moors	Clerk	Four year term Expires December 2012
Nicole Pappas	Member	Four year term Expires December 2010
Elisa Williamson	Member	Four year term Expires December 2012

Administration

Dr. John A. Roach
Superintendent

Walter Freeman
Assistant Superintendent
Business Services

Torrie Norton
Assistant Superintendent
Personnel Services

Suzanne O'Connell
Assistant Superintendent
Instructional Services

CARLSBAD UNIFIED SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2010

	Second Period Report		Annual Report *	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	761.64	764.13	767.77	767.77
Grades 1 through 3	2,469.86	2,471.36	2,473.72	2,473.72
Grades 4 through 8	4,065.82	4,067.11	4,063.23	4,063.23
Home and hospital	4.41	4.34	5.19	5.19
Special education	101.34	95.95	96.15	96.15
Elementary totals	7,403.07	7,402.89	7,406.06	7,406.06
High School:				
Grades 9 through 12, regular classes	2,791.73	2,792.18	2,777.04	2,777.04
Home and hospital	4.17	4.29	4.73	4.73
Special education	76.67	76.63	76.32	76.32
Continuation education	141.50	141.78	140.33	140.33
High school totals	3,014.07	3,014.88	2,998.42	2,998.42
ADA totals	10,417.14	10,417.77	10,404.48	10,404.48

* The Annual Report was not revised or amended.

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

CARLSBAD UNIFIED SCHOOL DISTRICT

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2010

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2009-10 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,680	N/A	36,000	N/A	36,540	180	-	Complied
Grade 1	48,080	N/A	50,400	N/A	54,060	180	-	Complied
Grade 2	48,080	N/A	50,400	N/A	54,060	180	-	Complied
Grade 3	48,080	N/A	50,400	N/A	54,060	180	-	Complied
Grade 4	48,080	N/A	54,000	N/A	54,060	180	-	Complied
Grade 5	48,080	N/A	54,000	N/A	54,060	180	-	Complied
Grade 6	48,080	N/A	54,000	N/A	59,022	180	-	Complied
Grade 7	55,852	N/A	54,000	N/A	59,022	180	-	Complied
Grade 8	55,852	N/A	54,000	N/A	59,022	180	-	Complied
Grade 9	61,790	N/A	64,800	N/A	65,545	180	-	Complied
Grade 10	61,790	N/A	64,800	N/A	65,545	180	-	Complied
Grade 11	61,790	N/A	64,800	N/A	65,545	180	-	Complied
Grade 12	61,790	N/A	64,800	N/A	65,545	180	-	Complied

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. This schedule is required of all districts, including basic aid districts.

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 instruction time offered by the district and whether the district complied with the provisions of Education Code Sections 46200 through 46206.

CARLSBAD UNIFIED SCHOOL DISTRICT

TABLE D-3

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2010

General Fund	(Budget) 2011	2010	2009	2008
Revenues and other financial sources	$ 74,421,257	$ 85,934,756	$ 89,346,873	$ 86,118,839
Expenditures, other uses and transfers out	85,087,994	87,684,101	83,895,662	82,817,613
Change in fund balance (deficit)	(10,666,737)	(1,749,345)	5,451,211	3,301,226
Ending fund balance	$ 6,046,155	$ 16,712,892	$ 18,462,237	$ 13,011,026
Available reserves	$ 5,008,382	$ 15,767,503	$ 16,352,103	$ 10,361,446
Available reserves as a percentage of total outgo	5.9%	18.0%	19.5%	12.5%
Total long-term debt	$ 192,536,158	$ 198,755,495	$ 203,922,317	$ 126,723,261
Average daily attendance at P-2	10,417	10,417	10,317	10,283

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.

The general fund balance has increased by $7,003,092 over the past three years. The fiscal year 2010-11 budget projects a decrease of $10,666,737. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, other uses and transfers out.

Long-term debt has increased by $108,133,681 over the past three years.

Average daily attendance (ADA) has increased by 330 over the past three years.

CARLSBAD UNIFIED SCHOOL DISTRICT

TABLE D-4

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

The fund balances for all funds as reported by the district in their unaudited financial statements are in agreement with the fund balances reported in the accompanying audited financial statements.

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

CARLSBAD UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2010

No charter schools are chartered by Carlsbad Unified School District.

Charter Schools	Included In Audit?
None	N/A

CARLSBAD UNIFIED SCHOOL DISTRICT

TABLE D-6

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program:			
Medi-Cal *	93.778	-	$ 61,056
Total U. S. Department of Health and Human Services			61,056
U. S. DEPARTMENT OF EDUCATION			
Direct Program:			
Smaller Learning Communities	84.215	-	187,667
Passed Through State Department of Education:			
Title I Part A *	84.010	14329	695,795
Special Education IDEA Part B *	84.027	13379	1,512,888
Vocational Education	84.048	13922	38,215
Preschool *	84.173	13430	145,205
Title IV Drug Free	84.186	14347	46,107
Title V Innovative	84.298	13073	57,675
Title II EETT	84.318	14045	1,729
Title III Immigrant Education	84.352	14141	28,476
Title III LEP	84.365	10084	134,337
Title II Teacher Quality	84.367	14341	281,604
Title II Principal Training	84.367	14036	5,213
ARRA Title I Part A *	84.389	15005	324,812
ARRA Special Education IDEA Part B *	84.391	15003	1,695,447
ARRA Preschool *	84.392	15002	166,384
ARRA State Fiscal Stabilization Fund *	84.394	24997	1,524,099
Total Passed Through State Department of Education			6,657,986
Total U. S. Department of Education			6,845,653
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	13396	1,210,077
Total U. S. Department of Agriculture			1,210,077
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 8,116,786

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Carlsbad Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB 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 general purpose financial statements.

2. Subrecipients

Of the federal expenditures presented in the schedule, Carlsbad Unified School District provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Title I	84.010	$ 11,213
Title II Teacher Quality	84.281	13,425
Title II Technology	84.318	295
Title IV Drug Free	84.186	472
Title III LEP	84.365	1,712
Total Provided to Subrecipients		$ 27,117

Other Independent Auditor's Reports

Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Carlsbad Unified School District
Carlsbad, California

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carlsbad Unified School District as of and for the year ended June 30, 2010, which collectively comprise the Carlsbad Unified School District's basic financial statements and have issued our report thereon dated September 3, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carlsbad Unified 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 Carlsbad Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carlsbad Unified 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carlsbad Unified 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 management, others within the entity, the Board of Trustees, and 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.

Wilkinson Hadley King & Co. LLP

El Cajon, California
September 3, 2010

Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020

Report on Compliance with Requirements Applicable
To each Major Program and on Internal Control over Compliance
In Accordance With OMB Circular A-133

Board of Trustees
Carlsbad Unified School District
Carlsbad, California

Members of the Board of Trustees:

Compliance
We have audited the compliance of Carlsbad Unified School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Carlsbad Unified School District's major federal programs are identified in the summary of auditor's 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 Carlsbad Unified School District's management. Our responsibility is to express an opinion on Carlsbad Unified 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 Carlsbad Unified 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 Carlsbad Unified School District's compliance with those requirements.

In our opinion, Carlsbad Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance
Management of Carlsbad Unified 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 Carlsbad Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our 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 Carlsbad Unified 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 over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, 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.

Wilkinson Hadley King & Co. LLP

El Cajon, California
September 3, 2010

Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020

Auditor's Report on State Compliance

Board of Trustees
Carlsbad Unified School District
Carlsbad, California

Members of the Board of Trustees:

We have audited the basic financial statements of the Carlsbad Unified School District ("District") as of and for the year ended June 30, 2010, and have issued our report thereon dated September 3, 2010. Our audit was made 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 State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2009-10,* published by the Education Audit Appeals Panel. 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 opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Yes
Only One School Serving Grades K-3	4	N/A

After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	N/A
Contemporaneous Records of Attendance, For Charter Schools	1	N/A
Mode of Instruction, For Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes - Classroom Based, For Charter Schools	3	N/A

The term "N/A" is used above to mean either that the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for independent study because the independent study ADA was under the level that requires testing.

Based on our audit, we found that, for the items tested, Carlsbad Unified School District complied with the state laws and regulations referred to above, except as described in the Findings and Recommendations section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Carlsbad Unified School District had not complied with the state laws and regulations.

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

El Cajon, California
September 3, 2010

Findings and Recommendations Section

CARLSBAD UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unqualified			
Internal control over financial reporting:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are are not considered to be material weaknesses?	____	Yes	X	None Reported
Noncompliance material to financial statements noted?	____	Yes	X	No

2. Federal Awards

Internal control over major programs:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Type of auditor's 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 Circular A-133?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.010, 84.389	Title I Cluster
84.394	ARRA Fiscal State Stabilization
84.365	Title III LEP

Dollar threshold used to distinguish between type A and type B programs:	$300,000			
Auditee qualified as low-risk auditee?	X	Yes	____	No

3. State Awards

Internal control over state programs:

One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are are not considered to be material weaknesses?	____	Yes	X	None Reported

Type of auditor's report issued on compliance for state programs: Unqualified

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2010-1 (10000)
Continuation Education

Criteria or Specific Requirement
Determine the average daily attendance for continuation education reported to the California Department of Education is properly accounted for and in agreement with the supporting documentation maintained by the District.

Condition
In our review of continuation education, we noted that the hourly attendance system generated a maximum of 34 hours per week including backfill based on sixty minute clock sessions; however, the bell schedule calculated to only 28.25 maximum instructional hours per week. As a result, the hourly attendance system is generating an additional 5.75 hours of weekly backfill time that is overstated. The District is only claiming the maximum of fifteen hours of week as allowed per the education code and has sufficient backfill of 13.25 hours generated by additional instructional time that is allowed; therefore, there is no actual impact on the attendance claimed by the excess backfill hours being generated. Nevertheless, the District should still reconcile the hours being reported on the hourly attendance reports to the actual instructional time reflected on the bell schedule to ensure accuracy in the reporting of backfill hours credited.

Questioned Costs
None - No Impact on the Attendance Being Reported.

Recommendation
We recommend the District correct and set the hourly attendance system to generate the maximum instructional time allowed as calculated by the bell schedule. Monitor and calculate the weekly maximum time generated by the hourly attendance reports to ensure the instructional time reconciles to the bell schedule for accuracy. Establish procedures to ensure backfill hours are not being overstated as a result of incorrect instructional time being generated by the system.

LEA's Response
The District will correct and set the hourly attendance system to generate the maximum instructional time allowed as calculated by the bell schedule. The District will monitor and calculate the weekly maximum time generated by the hourly attendance reports to ensure the instructional time reconciles to the bell schedule for accuracy. The District will establish procedures to ensure backfill hours are not being overstated as a result of incorrect instructional time being generated by the system.

CARLSBAD UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2009-1 After School Education and Safety Program The after school program offered at Jefferson Elementary School did not have proper early release forms with designated early release times for the ten students tested. In addition, some pupil early release days did not have the proper time or signature present on the sign-out sheets and early release times for pupils were not consistent with their early release forms on file. Require all pupils that leave the program early have a proper signed early release form with designated release times on file. Monitor the sign-out sheets to ensure that all pupils leaving the program early have a proper sign-out time and appropriate signature for early release. Review all sign-out sheets to ensure that the release times are consistent with the designated times on the early release forms.	Implemented	

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Carlsbad Unified School District (the "District") in connection with the execution and delivery of $77,998,237.95 aggregate principal or issue amount of the District's 2006 Election General Obligation Bonds, 2011 Series C and 2011 Series D Qualified School Construction Bonds (Taxable Direct Subsidy Bonds) (collectively, the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the District adopted on April 27, 2011 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

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

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Piper Jaffray & Co. and RBC Capital Markets, LLC (together, the "Underwriters"), in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the County Resolution, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

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

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

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a successor or alternate Dissemination Agent, the Dissemination Agent shall be the District.

"Listed Event" shall mean any of the events listed in Section 6 of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") website located at http://emma.msrb.org, or any other entity designated or authorized by the Securities and Exchange Commission ("S.E.C.") to receive reports pursuant to the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated June 7, 2011 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 240 days after the end of the District's fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2011, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

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

(c) The Dissemination Agent shall:

(i) provide an Annual Report received by it to the MSRB as provided herein; and

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

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

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

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

(i) Outstanding indebtedness and lease obligations;

(ii) General fund budget and actual results;

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

(iv) Assessed valuations; and

(v) Largest local secured taxpayers.

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

SECTION 6. <u>Reporting of Designated Events</u>.

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

(i) Principal and interest payment delinquencies.

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

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

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

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

(vi) Tender Offers;

(vii) Defeasances;

(viii) Rating Changes;

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

(x) the expenditure of the final Series D Bond proceeds from the Building Fund.

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

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

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

(ii) Modifications of rights to Bondholders;

(iii) Optional, unscheduled or contingent Bond calls;

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

(v) Non-payment related defaults;

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

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

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

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

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

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

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

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

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

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the County Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

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

SECTION 13. Assignment. The District shall not transfer its obligations under the County Resolution unless the transferee agrees to assume all obligations of the District under this Disclosure Agreement that would have been obligations of the transferee under the Rule, as amended as of the date of this Disclosure Agreement.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: June 21, 2011

CARLSBAD UNIFIED SCHOOL DISTRICT

By:____

Superintendent

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Carlsbad Unified School District
Name of Issue:	2006 Election General Obligation Bonds, 2011 Series C and 2006 Election General Obligation Bonds, 2011 Series D Qualified School Construction Bonds (Taxable Direct Subsidy Bonds)
Date of Issuance:	June 21, 2011

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated June 21, 2011. The Issuer anticipates that the Annual Report will be filed by ___________________.

Dated: __________________________

[ISSUER/DISSEMINATION AGENT]

By:____

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

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

General

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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.

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

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

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

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

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

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

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

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

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

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

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

TABLE OF ACCRETED VALUES

BOND ACCRETED VALUE TABLE

Carlsbad Unified School District

2011 Series C

Date	Serial Capital Appreciation Bonds 08/01/2012 6.62%	Serial Capital Appreciation Bonds 08/01/2013 6.62%	Term Convertible Capital Appreciation Bond (2021) 6.125%	Term Convertible Capital Appreciation Bonds (2026) 6.625%
6/21/2011	4,650.95	4,357.70	2,716.70	1,867.40
8/1/2011	4,684.70	4,389.35	2,734.95	1,880.95
2/1/2012	4,839.80	4,534.60	2,818.75	1,943.25
8/1/2012	5,000.00	4,684.70	2,905.05	2,007.65
2/1/2013		4,839.80	2,994.00	2,074.15
8/1/2013		5,000.00	3,085.70	2,142.85
2/1/2014			3,180.20	2,213.85
8/1/2014			3,277.60	2,287.15
2/1/2015			3,378.00	2,362.90
8/1/2015			3,481.45	2,441.20
2/1/2016			3,588.05	2,522.05
8/1/2016			3,697.95	2,605.60
2/1/2017			3,811.20	2,691.90
8/1/2017			3,927.90	2,781.10
2/1/2018			4,048.20	2,873.20
8/1/2018			4,172.20	2,968.40
2/1/2019			4,299.95	3,066.70
8/1/2019			4,431.65	3,168.30
2/1/2020			4,567.35	3,273.25
8/1/2020			4,707.25	3,381.70
2/1/2021			4,851.40	3,493.70
8/1/2021			5,000.00	3,609.45
2/1/2022				3,729.00
8/1/2022				3,852.50
2/1/2023				3,980.15
8/1/2023				4,111.95
2/1/2024				4,248.20
8/1/2024				4,388.90
2/1/2025				4,534.30
8/1/2025				4,684.50
2/1/2026				4,839.65
8/1/2026				5,000.00