

NEW ISSUE — BOOK-ENTRY ONLY

BANK QUALIFIED

RATING:

Moody's: "Aa3"

(See "MISCELLANEOUS — Rating" herein).

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, the interest on the Bonds is taken into account in determining certain income and earnings, and the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "Tax Matters" herein.

\$2,595,000

**Coast Unified School District
(San Luis Obispo County, California)
2011 General Obligation Refunding
Bonds
(Election 1998)**

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

The Coast Unified School District (the "District") is issuing the Coast Unified School District (San Luis Obispo County, California) 2011 General Obligation Refunding Bonds (Election 1998) (the "Bonds") in the aggregate principal amount of \$2,595,000. The Bonds are being issued to provide funds (i) to refund a portion of the District's outstanding General Obligation Bonds (High School Project) Election 1998 and (ii) to pay costs of issuance of the Bonds. The Board of Supervisors of San Luis Obispo County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), for the payment of interest on, and principal of, the Bonds, all as more fully described herein under "**The Bonds**" and "**Security and Sources of Payment for the Bonds.**"

Interest on the Bonds is payable on February 1 and August 1 of each year to maturity or prior to redemption, commencing on August 1, 2011. Principal is payable on August 1 in each of the years and in the amounts set forth on the inside cover of this Official Statement. Payment of principal and interest on the Bonds will be made by the Paying Agent, U.S. Bank National Association, to The Depository Trust Company, New York, New York ("DTC"), for subsequent disbursement to DTC Participants, who will remit such payments to the Beneficial Owners of the Bonds. See "**The Bonds — Payment of Principal and Interest**" herein

The Bonds will be issued in book-entry form only and initially will be issued and registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds as described herein under "**Appendix E — DTC and the Book-Entry Only System.**"

The Bonds are not subject to optional redemption prior to their respective maturity dates. The Term Bonds maturing on August 1, 2023 are subject to mandatory sinking fund redemption, as described herein under "**The Bonds — Redemption.**"

The following firm, serving as financial advisor to the District, has structured this issue: Isom Advisors, A Division of Urban Futures, Inc.

MATURITY SCHEDULE

See inside cover

The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through The Depository Trust Company in New York, New York, on or about March 23, 2011.

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.

George K. Baum & Company

This Official Statement is dated March 2, 2011.

\$2,595,000
Coast Unified School District
(San Luis Obispo County, California)
2011 General Obligation Refunding Bonds
(Election 1998)

MATURITY SCHEDULE
(Base CUSIP No.: 190327) ⁽¹⁾

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price/</u> <u>Yield</u>	<u>CUSIP</u> ⁽¹⁾
2011	\$25,000	4.000%	1.150%	CS3
2012	20,000	3.500	1.400	CT1
2013	20,000	3.000	1.800	CU8
2014	20,000	3.000	2.210	CV6
2015	20,000	3.000	2.660	CW4
2016	25,000	3.000	2.910	CX2
2017	25,000	3.000	3,170	CY0
2018	280,000	3.000	3.350	CZ7
2019	350,000	3.250	3.600	DA1
2020	385,000	4.000	3.800	DB9
2021	150,000	4.000	4.000	DC7
2023	250,000	4.750	4.350	DE3
2023*	1,025,000	4.125	4.350	DD5

* Term Bond

⁽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 on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter, nor the Financial Advisor 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 Coast Unified School District (the "District") 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. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the 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 summaries and descriptions of documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each such document, statute and constitutional provision.

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

THE PRICES AND OTHER TERMS OF THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER SUCH BONDS ARE RELEASED FOR SALE AND SUCH BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL SUCH BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES FOR SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT.

COAST UNIFIED SCHOOL DISTRICT

Board of Trustees

Cindy Fratto, *President*
Robert Gong, *Clerk*
Dianne Brooke, *Board Member*
Victoria S. Dandurand, *Board Member*
Del Clegg, *Board Member*

District Administration

Chris Adams, *Superintendent*
Sharon Henslin, *Business Manager*

San Luis Obispo County Treasurer/Tax Collector

Frank L. Freitas

PROFESSIONAL SERVICES

Financial Advisor

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

Bond Counsel

Jones Hall,
A Professional Law Corporation
San Francisco, California

Disclosure Counsel

Kronick, Moskowitz, Tiedemann & Girard,
a Professional Corporation
Sacramento, California

Paying Agent and Escrow Agent

U.S. Bank National Association
Los Angeles, California

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OFFICIAL STATEMENT

\$2,595,000

**Coast Unified School District
(San Luis Obispo County, California)
2011 General Obligation Refunding Bonds
(Election 1998)**

INTRODUCTION

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

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of \$2,595,000 principal amount of Coast Unified School District (San Luis Obispo County, California) 2011 General Obligation Refunding Bonds (Election 1998) (the “Bonds”), as described more fully herein.

The District

The Coast Unified School District (the “District”) is located on the Central Coast of California in the community of Cambria. The District consists of one K-5 elementary school, one 6-8 middle school, one traditional 9-12 high school and one alternative high school. There are approximately 764 students enrolled K-12. The District also serves the communities of San Simeon to the north and Cayucos to the south (grades 9-12) as well as surrounding rural areas. The area’s economy is primarily based on the tourism and agriculture industries. The economic status of the local population is very diverse and includes low, middle and high-income families. See “**General School District Financial Information**” and “**District General Information and Tax Base Information**” herein.

Purpose of the Bonds

Proceeds of the Bonds will be applied (i) to refund on a current basis a portion of the District’s outstanding General Obligation Bonds (High School Project) Election 1998 (the “Prior Bonds”), and (ii) to pay costs of issuance of the Bonds. See “**Plan of Refunding**” herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to the Constitution and laws of the State of California (the “State”), including the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and applicable provisions of the Education Code of the State. The Bonds are authorized to be issued pursuant to that certain resolution adopted by the Board of Trustees of the Coast Unified School District (the “Board”) on November 18, 2010 approving the issuance of the Bonds. The Bonds are issued pursuant to the Resolution. Payments of principal of and interest on the Bonds will be paid by U.S. Bank National Association (the “Paying Agent”) to The Depository Trust Company, New York, New York (“DTC”). The Government Code permits the issuance of bonds payable from *ad valorem* taxes without a

vote of the electors solely in order to refund other outstanding bonds which were originally approved by such a vote, provided that the total debt service to maturity on the Bonds does not exceed the total debt service to maturity on the bonds being refunded. See **“The Bonds — Authority for Issuance; Purpose”** herein.

Sources of Payment for the Bonds

The Bonds are issued by the District and the Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), as necessary for payment of interest on and principal of the Bonds. See **“The Bonds — Security and Sources of Payment,” “Security and Sources of Payment for the Bonds,”** and **“District General Information and Tax Base Information”** herein.

Tax Matters

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, as amended, in the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes although it may be included in the calculation for certain taxes. Also in the opinion of Bond Counsel, interest on the Bonds will be exempt from State of California (the “State”) personal income taxes. See **“Tax Matters”** herein.

Professionals Involved in the Offering

With respect to the Bonds, Isom Advisors, a Division of Urban Futures, Inc., Walnut Creek, California, is the District’s financial advisor (“Financial Advisor”; see **“Miscellaneous — Financial Advisor”** herein). The Financial Advisor, Bond Counsel, Disclosure Counsel, and Paying Agent will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide notices of the occurrence of certain enumerated events, if material. See **“Miscellaneous – Continuing Disclosure”** herein.

Copies of documents referred to herein and information concerning the Bonds are available from the Coast Unified School District, 1350 Main Street, Cambria, California 95307, telephone: 805.927.3880. The District may impose a charge for copying, mailing and handling.

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

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change

without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE BONDS

Authority for Issuance; Purpose

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and applicable provisions of the Education Code of the State. The Bonds are authorized to be issued pursuant to that certain resolution adopted by the Board of Trustees of the Coast Unified School District (the “Board”) on November 18, 2010 approving the issuance of the Bonds (the “Resolution”). The Bonds are issued pursuant to the Resolution. The Government Code permits the issuance of bonds payable from *ad valorem* taxes without a vote of the electors solely in order to refund other outstanding bonds which were originally approved by such a vote, provided that the total debt service to maturity on the refunding bonds not exceed the total debt service to maturity on the bonds being refunded.

The Prior Bonds were issued pursuant to the authorization approved by over two-thirds of the votes cast by eligible voters within the District at an election held on April 14, 1998 (the “1998 Election”). The 1998 Election authorized the issuance of bonds in an aggregate principal amount not to exceed \$3,600,000 to enable the District to provide funding for school facilities located within the District. The Prior Bonds were issued in one series in the aggregate principal amount of \$3,599,215.10 on August 13, 1998.

Proceeds of the Bonds will be applied (i) to refund the Prior Bonds, and (ii) to pay costs of issuance of the Bonds. See “**Plan of Refunding**” herein.

Security and Sources of Payment

In order to provide sufficient funds for repayment of the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation within the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues for the payment of principal and interest and premium (if any) on the Bonds will be deposited by the County in the Coast Unified School District 2011 General Obligation Refunding Bonds Debt Service Fund (the “Debt Service Fund”) to be used solely for payment of the Bonds.

Although the County is obligated to levy *ad valorem* taxes for the payment of the Bonds, the Bonds are not a debt of the County. For further information regarding *ad valorem* property taxation in general and within the District in particular, see “**Security and Sources of Payment for the Bonds,**” and “**District General Information and Tax Base Information**” herein.

Book-Entry Form

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of DTC. Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as 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. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice. See “**Appendix E – DTC and the Book-Entry Only System.**”

The Paying Agent, the District, and the Underwriter 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, of interests in the Bonds.

Payment of Principal and Interest

The Bonds will be dated the Dated Date and will bear interest payable semiannually each February 1 and August 1 (each, an “Interest Payment Date”), commencing August 1, 2011, at the interest rates shown on the inside front cover page of this Official Statement. The Bonds will mature on August 1 in each of the years and in the principal amounts shown on the inside front cover page of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it shall bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the preceding Record Date (Record Date means the fifteenth (15th) day of the month preceding an Interest Payment Date, whether or not such day is a business day), in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the first Record Date, in which event it shall bear interest from its dated date; *provided, however*, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. If a payment date does not fall on a business day, the interest, principal or redemption payment due on such payment date will be paid on the next business day. The Bonds will be issued in the denomination of \$5,000 principal amount each or any integral multiple thereof.

Redemption

Optional Redemption. The Bonds are not subject to optional redemption.

Mandatory Redemption. Term Bonds maturing on August 1, 2023 are subject to mandatory sinking fund redemption in consecutive years immediately preceding the stated maturity date in the respective amounts as set forth below, at a redemption price equal to the principal amount to be redeemed together with accrued interest thereon to the redemption date, without premium.

Redemption Date	
<u>August 1</u>	<u>Principal</u>
2021	\$275,000
2022	470,000
2023*	280,000

*Maturity

Notice of Redemption. The Paying Agent will cause notice of any redemption to be mailed, by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for

redemption, to (i) one or more of the Information Services, and (ii) to the respective owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books; but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds.

The redemption notice will state the redemption date and the redemption price and, if less than all of the then outstanding Bonds are to be called for redemption, will designate the Bonds to be redeemed, and will require that any redeemed Bonds be surrendered at the principal office of the Paying Agent for redemption, giving notice that further interest on such Bonds will not accrue from and after the redemption date.

Partial Redemption. Upon surrender of Bonds redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the owner, at the expense of the District, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, the Bonds so called will cease to be entitled to any benefit under the Resolution, other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Defeasance of Bonds

The Bonds may be defeased prior to maturity in the following ways:

- a. by paying or causing to be paid the principal of and interest on Bonds outstanding, as and when the same become due and payable; or
- b. by irrevocably depositing with the Paying Agent cash or noncallable Federal Securities (as defined below), together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon, be fully sufficient to pay and discharge all the Bonds (including all principal and interest represented thereby and prepayment premiums, if any) at or before their maturity date; or
- c. by delivering outstanding bonds to the Paying Agent for cancellation;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the District and the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the Bonds not so surrendered and paid all sums due with respect thereto.

“**Federal Securities**” is defined in the Resolution as United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

Registration, Transfer and Exchange of Bonds

If the book-entry system as described above and in Appendix E is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Registration Books. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds (the “**Registration Books**”), which will at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Bonds.

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Whenever any Bond or Bonds are surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. No transfers will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption or (b) with respect to a Bond that has been selected for redemption.

Exchange. Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The District may charge a reasonable sum for each new Bond issued upon any exchange. No exchanges will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption or (b) with respect to a Bond that has been selected for redemption.

PLAN OF REFUNDING

Application and Investment of Bond Proceeds

A portion of the proceeds from the sale of the Bonds will be deposited in an escrow fund (the “Escrow Fund”) to be created and maintained by U.S. Bank National Association, acting as Escrow Agent under that certain Escrow Deposit and Trust Agreement between the District and the Escrow Agent, dated as of March 1, 2011, in an amount sufficient to currently refund the Prior Bonds. Moneys in the Escrow Fund will be held uninvested.

A portion of the proceeds of the Bonds will be retained by the Paying Agent to pay costs associated with the issuance of the Bonds and the current refunding of the Prior Bonds. Such refunding shall occur within 30 days after closing and shall be at par. Any proceeds of sale of the Bonds not needed to fund the Escrow Fund and to pay costs of issuance of the Bonds will be transferred by the Paying Agent to the San Luis Obispo County Treasurer/Tax Collector (the “Treasurer”) for deposit into the Debt Service Fund. Amounts deposited by the Paying Agent into the Debt Service Fund, as well as proceeds of taxes held therein for payment of the Bonds, will be invested on behalf of the District by the Treasurer pursuant to law and the investment policy of the County. See **Appendix D – San Luis Obispo County Investment Policy and Investment Pool**”.

SOURCES AND USES OF FUNDS

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

COAST UNIFIED SCHOOL DISTRICT Estimated Sources and Uses of Funds

Sources of Funds	
Principal Amount	\$2,595,000.00
Less Original Issue Discount	<u>19,571.00</u>
Total Sources	\$2,575,429.00
Uses of Funds	
Escrow Fund Deposit	\$2,476,381.25
Less Costs of Issuance ^(a)	<u>99,047.75</u>
Total Uses	\$2,575,429.00

^(a) This figure includes the fees and expenses for the Underwriter, Financial Advisor, Bond Counsel, Disclosure Counsel, rating agency, printing and distribution of the Official Statement, Paying Agent, and other costs of issuance.

DEBT SERVICE SCHEDULE

Annual debt service obligations for the Prior Bonds of the District remaining outstanding, and the Bonds, assuming that no optional redemptions are made, are as follows:

Year Ending <u>August 1</u>	Prior Bonds to Remain <u>Outstanding</u>	<u>The Bonds</u>	<u>Total Debt Service</u>
2011	\$ 165,000	\$ 60,673.33	\$255,673.33
2012	180,000	119,331.26	299,331.26
2013	200,000	118,631.26	318,631.26
2014	215,000	118,031.26	333,031.26
2015	240,000	117,431.26	357,431.26
2016	260,000	121,831.26	381,831.26
2017	275,000	121,081.26	396,081.26
2018	50,000	375,331.26	425,331.26
2019	--	436,931.26	436,931.26
2020	--	460,556.26	460,556.26
2021	--	485,156.26	485,156.26
2022	--	512,812.50	512,812.50
2023	--	<u>553,425.00</u>	<u>553,425.00</u>
TOTAL	<u>\$1,585,000</u>	<u>\$3,601,223.43</u>	<u>\$5,186,223.43</u>

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The information in this section describes how ad valorem property taxes in general are assessed and levied. For specific information on the property tax base, tax levies and collections in the District, see “District General Information and Tax Base Information” herein.

General

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

County Tax Services

School districts and other public agencies with property tax levies in the State all use the services of their county for the assessment of property values (except for certain utility and other classes of property that are assessed by the State Board of Equalization; see “**Security and Sources of Payment for the Bonds — State-Assessed Utility Property**” herein) and collection of property taxes and property assessments. All property taxes and assessments on property due all taxing agencies in each county generally are included on the same unified tax bill issued by the county to property owners for payment in two installments each year, based on the same county administered tax rolls, whether general purpose property tax or specific *ad valorem* property tax for payment of general obligation bonds. In addition, for school district general obligation bonds, the county, not the school district, determines and levies each year’s tax in

an amount necessary to provide for payment of the school district's general obligation bond debt service. Property taxes collected are apportioned by each county according to purpose and taxing agency as prescribed by State law to that county and all school districts, special districts, cities and other agencies within that county with property tax levies. The amounts apportioned specifically for payment of school district general obligation bonds are retained by the county, and used to make the debt service payments on those bonds on behalf of the school district.

Assessed Valuation

All non-exempt property is assessed using full cash value as defined by Article XIII A of the California Constitution (the "Constitution"). State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, provided that the owner files and qualifies for such exemption. The State is required to reimburse local agencies for the value of taxes on the exempt \$7,000. State law also provides exemptions from *ad valorem* property taxation for certain classes of property based on ownership or use, such as household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories and real property used for religious, non-profit hospital, scientific and charitable purposes; the State does not reimburse local agencies for any tax not levied due to these exemptions. State and federal government property also is not taxed, nor is local government property located within the jurisdiction of that local government.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and other property having a tax lien on real property which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all other taxable property. Unsecured property is assessed on the "unsecured roll." Pursuant to State law, every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer. Valuation of secured property and a statutory tax lien is established as of January 1 prior to the tax year (the tax year is from July 1 through June 30) of the related tax levy, and the secured and unsecured tax rolls are certified on or before July 1 of the tax year by the county assessor. New property and improvements are assessed and added to a "supplemental" roll during the year acquired or when improvements are completed, and such property is taxed at the secured or unsecured rate then in effect, as appropriate, for the remaining portion of that year. The next year and thereafter such assets are assessed on the regular tax rolls.

Future growth in assessed valuation allowed under Article XIII A is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

See "**District General Information and Tax Base Information**" herein for a history of assessed valuation and a list of the largest secured taxpayers for the current tax year within the District.

State-Assessed Utility Property

The Constitution provides that the State Board of Equalization (the "SBE") rather than counties assess certain property owned or used by regulated utilities. Such property is grouped and assessed by the SBE as "going concern" operating units, which may cross local tax jurisdiction boundaries, rather than as individual parcels of real or personal property separately assessed. Such utility property is known as

“unitary property.” The SBE assesses property at “fair market value,” determined by various methods and formulae depending on the nature of the property, except that certain railroad property is assessed at a specified percentage of the fair market value determined by the SBE, in conformity with federal law. The SBE assesses values as of January 1 prior to the tax year of the related tax levy. Property tax on SBE-assessed property is then levied and collected by each county in the same manner as county assessed property, but at special county-wide tax rates, and distributed to each taxing agency within that county, subject to certain adjustments, according to the approximate percentage allocated to each taxing agency in the prior year.

Ongoing changes in the California electric utility industry structure and in the way in which components of that industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may cause property that had been assessed by the SBE to be assessed locally instead. A change in property status from assessment by the SBE to assessment locally or the reverse may result in a change in property tax revenue received by local agencies and an adjustment in *ad valorem* tax rates and debt capacity for any local agency general obligation bonds. Because the District is a basic aid district, taxes lost through any reduction in assessed valuation will not be compensated by the State as equalization aid under the State’s school financing formula.

Tax Levies, Collections and Delinquencies

Secured property tax rates are set annually by the first business day of September for the levy of property taxes in that tax year. The levy is payable in two equal installments due November 1 and February 1, and payments become delinquent if not postmarked or paid by end of the business day on December 10 and April 10, respectively. Taxes on unsecured property (personal property and leasehold interests) are levied at the preceding fiscal year’s secured tax rate and have a due date set by each county effectively no earlier than July 1 and no later than July 31 of each year. Taxes on unsecured property become delinquent if not postmarked or paid by end of business day on August 31, or if added to the unsecured roll after July 31, become delinquent at the end of the month succeeding the month of enrollment.

A 10% penalty attaches to any delinquent payment for secured roll taxes, plus a charge of \$10 if unpaid after April 10. In addition, property on the secured roll for which taxes are delinquent becomes tax-defaulted if not paid by June 30 of the same fiscal year. Such property may thereafter be redeemed by payment of (a) the delinquent taxes, (b) the 10% penalty, (c) the \$10 charge, (d) an additional penalty of 1.5% per month (18% annualized rate) from July 1 to the time of redemption, and (e) a redemption fee of \$15 per parcel, \$5 of which goes to the State (collectively, the “Redemption Amount”). Properties may be redeemed under an installment plan of paying the Redemption Amount in five equal installments over a period of four years. A delinquent taxpayer may enter into the installment plan at any time up to the June 30 occurring five years after the property becomes tax defaulted. If taxes are unpaid five years after the property becomes tax defaulted or, if an installment plan is in place, then at the end of the installment plan, the County can initiate a “power to sell” procedure for the County Tax Collector to sell the property at auction. Alternatively, in certain instances the County may institute a superior court action to foreclose the lien on the property; if the lawsuit is successful, the property may be sold at a judicial foreclosure sale.

A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and after the last day of the second month after the 10% penalty attaches, an additional penalty of 1.5% per month begins to accrue and a lien is recorded against the assessee. The taxing authority may collect delinquent unsecured personal property taxes by: (a) a civil action against the taxpayer; (b) filing a certificate of delinquency in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific

property of the taxpayer; and (c) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Supplemental roll taxes are due on the date the bill is mailed. If the tax bill is mailed within the months of July through October, the first installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on December 10 of the same year and the second installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on April 10 of the next year. If the bill is mailed within the months of November through June, the first installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on the last day of the month following the month in which the bill is mailed and the second installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on the last day of the fourth calendar month following the date the first installment is delinquent. A 10% penalty attaches to any delinquent payment for supplemental roll taxes.

All tax due dates and delinquency dates become the next business day if they fall on a day that is not a business day.

Teeter Plan

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes, including school districts, is credited the amount of uncollected taxes in the same manner as if the amount credited had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that otherwise would have been due the local agency.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of the County’s fiscal year, the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County.

The County has never received a petition from any governing board to discontinue the Teeter Plan with respect to agencies in the County. The Board of Supervisors may, after holding a public hearing on the matter, discontinue the procedures with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls in that agency. See “**District General Information and Tax Base Information – Secured Tax Charges and Delinquencies**” herein for a history of property tax collections and delinquencies in the District.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS

*The information in this section concerning certain provisions of Articles XIII A, XIII B, XIII C and XIII D of the State constitution, Propositions 98 and 111 and certain other law is provided as supplementary information only, to outline the principal constitutional and statutory laws under which the operating revenue and finances of K-12 school districts in the State are determined. For specific financial information on the District, see “**District General Information and Tax Base Information**” herein.*

Article XIII A - Limit on Property Tax

Article XIII A of the State constitution (the “Constitution”) limits, subject to certain exceptions, the amount of *ad valorem* taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A 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 has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A requires a vote of two-thirds of those voting in an election to impose *ad valorem* taxes, and, except to pay debt service on certain voter approved indebtedness, prohibits the imposition of any additional *ad valorem*, sales or transaction taxes on real property. Article XIII A does permit *ad valorem* taxes to be levied in excess of the basic 1% tax limitation as required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, (b) on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on any bonded indebtedness approved by fifty-five percent of the votes cast by the voters of a school or community college district for the construction, reconstruction, rehabilitation or replacement of, including furnishing and equipping of, or the acquisition or lease of real property for, school facilities, provided that certain accountability and other requirements are satisfied. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues, while prohibiting the imposition by the State Legislature of any new *ad valorem*, sales or transaction taxes on real property.

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax except to pay voter-approved indebtedness. The 1% property tax is automatically levied by each county in the State and distributed according to a formula among taxing agencies within that county. The formula apportions the tax roughly in proportion to the relative shares of taxes last levied prior to 1989.

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

Article XIII B - Appropriations Limit

Article XIII B of the Constitution, approved by voters in 1979 and subsequently amended by Propositions 98 and 111, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State, to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population, for transfers in the financial responsibility for providing services and for certain declared emergencies (the “Gann limit”). As amended, Article XIII B defines:

- (a) “change in the cost of living” with respect to school districts to mean the percentage change in California per-capita income from the preceding year, and
- (b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity.

“Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues. For school districts, Article XIII B constrains appropriations from State and local tax sources, but not federal aid or non-tax income, such as revenues from cafeteria sales or adult education fees.

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

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two fiscal years. If a school district receives any proceeds of taxes in excess of its appropriations limit, it may increase its appropriations limit to equal that amount by taking the appropriations limit from the State.

Article XIII B also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the Constitution. See **“Propositions 98 and 111”** below.

Article XIII B does not impact the ability of the County to levy and collect the property tax or pay debt service on District general obligation bonds.

Propositions 98 and 111 - State Funding for School Districts

On November 8, 1988 the voters approved Proposition 98, an initiative constitutional amendment and statute called “The Classroom Instructional Improvement and Accountability Act” (“Proposition 98”). In addition to adding certain provisions to the California Education Code, Proposition 98 also amended Article XIII B and Section 8 of Article XVI of the Constitution and added Section 8.5 of Article XVI to the Constitution, the effects of which are to establish a minimum level of State funding for school districts, to allocate to school districts, within limits, State revenues in excess of the State’s appropriations limit and to exempt such excess funds from school district appropriations limits.

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

Article XIII B, as amended by both Proposition 98 and Proposition 111, is discussed above under **“Article XIII B.”**

The provisions of Sections 8 and 8.5 of Article XVI, as added to or amended by Propositions 98 and 111, may be summarized as follows:

(a) *State Funding of Schools (Section 8)*. Monies to be applied by the State for the support of school districts must be at a level equal to the greater of the following “tests”:

(i) The amount which, as a percentage of the State general fund revenues which may be appropriated pursuant to Article XIII B, equals the percentage of general fund revenues appropriated for school districts in fiscal year 1986/87;

(ii) The amount actually appropriated to school districts in the prior fiscal year from general fund proceeds and from allocated local proceeds of taxes (excluding any excess state revenues allocated pursuant to Section 8.5), adjusted for changes in enrollment and for the change in the cost of living (operative only in a fiscal year in which the percentage growth in California per capita personal income is less than or equal to the percentage growth in per capita general fund revenues plus one-half of one percent);

(iii) The amount actually appropriated to school districts in the prior fiscal year from general fund proceeds and from allocated local proceeds of taxes (excluding any excess State revenues allocated pursuant to Section 8.5) adjusted for changes in enrollment and for the change in per capita general fund revenues, and, in addition, an amount equal to one-half of one percent times the prior year appropriations (excluding any excess State revenues) adjusted for changes in enrollment (operative only in a fiscal year in which the percentage growth in California per capita personal income is greater than the percentage growth in per capita general fund revenues plus one-half of one percent).

If the third test is used in any year the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when the general fund revenue growth exceeds personal income growth.

The State legislature by a two-thirds vote of both houses, with the Governor’s concurrence, may suspend for one year the minimum funding provisions for school districts as provided for in Section 8.

(b) *Allocations to the State School Fund (Section 8.5)*. In addition to the amounts applied to school districts under the tests discussed above, the State Controller is directed to allocate available excess State revenues (pursuant to Article XIII B) to the State School Fund. However, no such allocation is required at any time that the Director of Finance and the Superintendent of Public Instruction mutually determine that current annual expenditures per student equal or exceed the average annual expenditures per student of the 10 states with the highest annual expenditures per student and the average class size equals or is less than the average class size of the 10 states with the lowest class size.

Such allocations do not constitute appropriations subject to Article XIII B limitations and are to be made in an equal amount per enrollment.

Proposition 1A - Limit On ERAF Shifts to School Districts

Since fiscal year 1992/93 the State has satisfied a portion of its Proposition 98 obligations for revenue limit funding of school districts by shifting part of the 1% local *ad valorem* property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. At the

November 2004 election State voters approved Proposition 1A, limiting the amount and frequency of such ERAF shifts of property tax revenue from other taxing agencies to school districts.

Under Proposition 1A, beginning in fiscal year 2008/09, the State will be able to divert no more than eight percent of local property tax revenues for State purposes (including, but not limited to, funding K-12 education) only if: (a) the Governor declares such action to be necessary due to a State fiscal emergency; (b) two-thirds of both houses of the Legislature approve the action; (c) the amount diverted is required by statute to be repaid within three years; (d) the State does not owe to local agencies any repayment for past property tax or Vehicle License Fee diversions; and (e) such property tax diversions do not occur in more than two of any ten consecutive fiscal years. Because ERAF shifts will be capped and limited in frequency, the State will have to rely more heavily on State general fund moneys for Proposition 98 funding of school districts.

Propositions 57 and 58 - California Economic Recovery Bond Act and State Budget Requirements

On March 2, 2004 State voters passed Proposition 57, the California Economic Recovery Bond Act, authorizing the issuance by the State of up to \$15 billion of bonds to finance the State's negative general fund balance as of June 30, 2004 and other general fund obligations undertaken prior to June 30, 2004. The State has issued \$10.896 billion Economic Recovery Bonds under this authorization. In the same election State voters passed Proposition 58, the Balanced Budget Amendment, requiring the State to adopt and maintain a balanced budget, establish a reserve and restrict future long-term deficit-related borrowing.

Articles XIIC and XIID - Right to Vote on Taxes, Assessments, Fees and Charges

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect taxes, assessments, fees and charges. Among other things, Article XIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIC also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. The *ad valorem* property tax levied to pay debt service on the District's general obligation bonds is a "special tax" approved by two-thirds of the District's voters in the manner required by Article XIIC.

Article XIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. In respect to school district general obligation bonds, the Constitution and laws of the State impose a mandatory duty on county tax collectors to levy a property tax sufficient to pay debt service on such bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of such bonds or to otherwise interfere with performance of the mandatory duty of a school district and its county with respect to such taxes which are pledged as security for payment of such bonds. Legislation adopted in 1997 provides that Article XIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of, or consents to, any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Voter approved special taxes (including those levied pursuant to the Mello-Roos Community Facilities Act), “parcel taxes” and assessments levied pursuant to the Landscape and Lighting District Act of 1972 (among other assessments), that are not pledged to the payment of bonds, may be subject to reduction or repeal by voter initiative under the provisions of Article XIIC.

Article XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIC or XIID shall be construed to affect laws existing prior to enactment of Articles XIIC and XIID relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by a school district. By its terms, Article XIID does not apply to *ad valorem* property tax of the type levied to pay debt service on the District’s general obligation bonds.

The interpretation and application of Article XIIC and Article XIID will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Future Initiatives

Articles XIII A, XIII B, XIIC and XIID and Propositions 98, 111 and 1A 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 school districts’ revenues or ability to expend revenues. There is no assurance that the California electorate or legislature will not at some future time approve additional limitations which could reduce property or other tax revenues and adversely affect the revenues of the District or require additional expenditures.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

The information in this section concerning funding procedures of K-12 school districts in the State is provided as supplementary information only. For specific financial information on the District, see “District General Information and Tax Base Information” herein.

State Funding of School Districts

Annual State apportionments of basic and equalization aid to K-12 school districts for general purposes are made according to a revenue limit per unit of average daily attendance (“A.D.A.”). If a district’s total revenue limit exceeds its property tax revenue, its annual State apportionments, subject to certain adjustments, amount to the difference between the revenue limit and a district’s actual property tax receipts (after any redevelopment agency tax increment or other deductions or “shifts” that may be in effect under State law). A.D.A. is determined by school districts twice a year, in December (“First Period A.D.A.”) and April (“Second Period A.D.A.”).

The calculation of the amount of State apportionment a school district is entitled to receive each year is summarized as follows: first, the prior year Statewide revenue limit per A.D.A. is recalculated with certain adjustments for equalization and other factors; second, this adjusted prior year Statewide revenue limit per A.D.A. is inflated according to formulas based on the implicit price deflator for government goods and services and the Statewide average revenue limit per A.D.A. for each type of A.D.A., yielding the school district’s current year “component” revenue limits per A.D.A.; third, the current year component revenue limits per A.D.A. are applied to the school district’s A.D.A. for either the current or prior year, as the district elects; fourth, revenue limit adjustments known as “add-ons” are calculated for each school

district if the school district qualifies for such add-ons (for example, add-ons to adjust for small school district size and providing meals for needy pupils, among others); and fifth, local property tax revenues are deducted from the total revenue limit calculated for each district to arrive at the amount of State apportionment each school district is entitled to for the current year.

The State revenue limit is calculated three times a year for each school district on the basis of projections submitted by the district on or about December 10, based on First Period A.D.A., and April 15 and June 30, both based on Second Period A.D.A. A.D.A. calculations are based on actual attendance and do not include excused absences. Revenue limit calculations are made by each school district, reviewed by the County Office of Education and submitted to the State Department of Education. The State Department of Education reviews the calculations for accuracy, determines the amount of State apportionment owed to each school district and notifies the State Controller to distribute the apportionments. The first calculation is performed for the First Principal Apportionment in February, the second calculation for the Second Principal Apportionment in June, and the final calculation for the end of the fiscal year Annual Principal Apportionment, in essence a correction that is made in October of the next fiscal year.

See “**District General Information and Tax Base Information**” herein for the District’s specific annual revenue limit per A.D.A.

Basic Aid Districts

If a school district’s property tax revenue exceeds its calculated revenue limit entitlement, that school district retains all of its property tax revenue, and the State makes no apportionments of equalization aid to that district. Such a district is referred to as a “basic aid district.” As a basic aid district, the District is entitled to the minimum “basic aid” amount of \$120 per A.D.A. from the State, as set forth in the Constitution. However, currently, the State allocates basic aid funding within categorical entitlements that would have been received in any event. Because the District is a basic aid district, taxes lost through any reduction in assessed valuation will not be compensated by the State as equalization aid under the State’s school financing formula.

State Budget Process

According to the State Constitution, the Governor is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a two-thirds vote of each house of the Legislature no later than June 15, although this deadline is routinely missed. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the district’s governing board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget.

Possible Delays in Apportionments. If the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district’s State funding may be treated differently. In 2002, a California Court of Appeal held in White v. Davis (also referred to as Jarvis v. Connell) that the State Controller cannot disburse State funds after the beginning of the fiscal year until the adoption of the budget bill or an emergency appropriation, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State constitution, such as appropriations for salaries of elected state officers, or (iii) required by federal law, such as payments to State workers (but at no more than minimum wage). The court specifically held that pre-budget disbursements of Proposition 98 funding for school districts are invalid. In 2003, the California Supreme Court upheld the decision of the Court of Appeal. During the 2003-04 State budget impasse, the State Controller nonetheless treated revenue limit

apportionments to school districts as continuous legislative appropriations under statute. The State Controller did not disburse certain categorical and other funds to school districts until the 2003-04 Budget Act was enacted.

Additional Delays in Apportionments. Urgency legislation enacted March 1, 2010, authorized deferral of certain payments during the 2010-11 fiscal year for K-12 schools (not to exceed \$2.5 billion in the aggregate at any one time). Deferrals were authorized for July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 60 days, respectively, but, depending on actual cash flow conditions at the time, the Controller, Treasurer and Director of Finance were permitted to either accelerate or delay the deferrals up to 30 days or reduce the amounts deferred. Certain school districts that can demonstrate hardship will not be subject to these deferrals. While the District believes this legislation will affect the District's cash flow and interest income, it expects the effects to be similar to the delays in State apportionments it frequently experiences due to delay in adoption of the State Budget, as described above.

Fiscal Year 2010-11 Budget. The Legislature adopted and the Governor signed the fiscal year 2010-11 budget on October 8, 2010, and closed an estimated budget gap of \$19.3 billion by a combination of expenditure reductions, federal funds and other solutions. The budget projected total revenues of \$89.4 billion (an increase of 8.4% from the prior year) and authorized total expenditures of \$86.5 billion (an increase of 0.2% from the prior year). The Governor exercised his line-item veto authority to reduce the general fund spending authorized by the Legislature by \$963 million in order to increase the projected reserve for economic uncertainties from \$375 million to \$1.3 billion.

The Proposition 98 minimum guarantee for 2010–11, as estimated at the time of budget enactment, was \$53.8 billion. The Legislature determined that the State could not afford to fund at that level and suspended the Proposition 98 minimum guarantee for 2010–11. The \$49.7 billion provided in the budget for Proposition 98 funding in 2010–11 is \$4.1 billion lower than the guarantee. As a result of the suspension, that amount became a maintenance factor obligation, which will require the State to increase K–14 funding in the future by that amount. The LAO estimated that, at the end of 2010–11, the State would have an outstanding maintenance factor obligation of \$9.6 billion.

Despite the total Proposition 98 funding level's remaining relatively flat from 2009–10 to 2010-11, significant declines in local property tax revenues necessitated an increase in general fund spending. For 2010–11, the State expected to achieve some participation/attendance–related savings from its K–3 Class Size Reduction, Economic Impact Aid, and special education programs. Most of the 2010-11 savings, however, come not from cuts but from payment deferrals — with the largest spending change in 2010–11 being a \$1.7 billion deferral of K–12 payments until 2011–12. (The LAO estimated that, together with prior-year deferrals, the State would be deferring more than \$8 billion in Proposition 98 payments.)

The budget and related bills (the “budget package”) provide \$300 million in non–Proposition 98 general fund monies to support two mandate–related actions. The funds constitute a first payment toward reducing the State's Proposition 98 2009–10 settle–up obligation. Of the \$300 million, the State budgeted \$90 million for the 2010–11 cost of mandates. Providing this annual payment effectively stops the State's practice of deferring K–14 mandate payments, which a Superior Court in 2008 declared unconstitutional. In addition, the State allocated \$210 million on a per–student basis, with monies first used for any unpaid prior–year K–14 mandate claims. This latter action was intended to help pay off a portion of the K–14 mandate backlog. The budget package also included several provisions that reduce the State's mandate–related debt in future years and relieve districts from performing certain mandated activities, reduce costs associated with several mandates, and suspend all or part of other mandates.

Even with the mandate actions taken as part of the budget package, the LAO estimated the State would end 2010–11 with \$3.7 billion in unpaid K–14 mandate claims — costs that the State is constitutionally required to pay at some point in the future. In addition to these constitutional obligations, the State has kept track of recent foregone cost-of-living adjustments (COLAs) as well as base reductions to K–12 revenue limits, and it has made a statutory commitment to increase K–12 revenue limits accordingly at some point in the future. The estimated cost of funding these COLAs and restoring these cuts is \$7.2 billion. (The State would need to provide this amount every year on an ongoing basis to retire what is commonly referred to as the statutory revenue limit “deficit factor.”)

LAO’s Fiscal Outlook Report. In a report released on November 10, 2010, the LAO projected a current year deficit of \$6 billion based on its assumption that the State will be unable to secure around \$3.5 billion of budgeted federal funding in fiscal year 2010-11, projected higher-than-budgeted costs in prisons and other programs, and assumed that the passage of Proposition 22 will prevent the State from achieving approximately \$800 million of budgeted solutions in fiscal year 2010-11.

The LAO also predicted that the temporary nature of most of the State Legislature’s 2010 budget-balancing actions and the extremely slow economic recovery would contribute to a \$19 billion projected operating deficit in fiscal year 2011-12. The LAO also projected annual budget deficits of about \$20 billion each year through 2015-16.

The LAO projected that general fund tax revenues would decline significantly in 2011–12, because of the expiration of temporary tax increases and other factors, which would in turn reduce the Proposition 98 minimum guarantee. The LAO’s forecast was that the guarantee will decline from \$49.7 billion in 2010–11 (when the Legislature suspended Proposition 98) to \$47.5 billion in 2011–12. If the Legislature funds schools at the forecasted minimum guarantee in 2011–12, school districts would face significant programmatic reductions due to the decline in Proposition 98 funding coupled with the State’s cost of the payments deferred into 2011-12 as one-time fiscal year 2010-11 budget solutions.

Fiscal Year 2011-12 Proposed Budget. On January 10, 2011, Governor Brown submitted the proposed 2011-12 State Budget to the State Legislature. The Administration now forecasts current–law General Fund revenues and transfers of \$90.7 billion in 2010–11. This is up by \$3.7 billion (4.2%) from 2009–10 revenues, but down by \$3.5 billion (3.7%) from the revenue forecast adopted with passage of the State Budget in October 2010. The Governor’s proposed budget estimates that, without corrective action by the Legislature and the Governor, the State would end 2011–12 with a \$25.4 billion deficit. The Governor’s plan, totaling \$26.4 billion in budget solutions, relies on a mixture of expenditure reductions, tax increases, and borrowing from special funds and other sources and would require legislative approval of statutory changes by March 1. The Governor’s proposed budget projects \$86.3 billion of General Fund revenues for 2011-12 and would authorize \$84.6 billion of expenditures. If adopted and achieved in full, the Governor’s budget plan would leave the State with a reserve of around \$1 billion at the end of 2011–12.

The Governor’s proposal funds Proposition 98 at the minimum guarantee in 2011-12. The proposed spending level assumes adoption of the Governor’s tax plan to raise \$4.8 billion in additional State General Fund revenues, primarily from the extension of higher personal income tax rates. These additional revenues increase the Proposition 98 minimum guarantee by \$2 billion in 2011-12. Absent these additional revenues, the minimum guarantee would have fallen year over year, whereas, with the additional revenues, the guarantee stays virtually flat. Under the Governor’s plan, K-12 programmatic funding per student decreases by about \$100 or 1.4% from 2010-11 to 2011-12. Most of the decline in K–12 per student funding is attributable to the loss of federal stimulus funding.

The Governor's Proposition 98 plan includes \$2.1 billion in new inter-year deferrals of K-12 revenue limit payments from 2011-12 to 2012-13. 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. In addition to the inter-year deferrals, the Governor proposes to continue intra-year deferrals to help with the State's cash flow problems. The Governor's intra-year deferral plan would delay \$2.5 billion in K-12 payments beginning in July 2011, reflecting the same magnitude as the 2010-11 intra-year deferrals.

The Governor's plan also includes a two-year extension of existing K-12 fiscal relief options. The Governor proposes to extend "categorical flexibility" from 2012-13 through 2014-15. With this flexibility, school districts can use the funding associated with about 40 categorical programs for any educational purpose.) The Governor's plan also would extend the existing K-3 Class Size Reduction rules from 2011-12 through 2013-14. (These rules apply more modest funding reductions to K-3 classes that exceed 20 students.) Additionally, the Governor proposes extending for two years the existing statutory provisions that reduce routine maintenance requirements, suspend deferred maintenance requirements, postpone instructional materials purchases, and lower unrestricted budget reserve requirements.

Additional Information on State Finances. Summaries of the enacted 2010-11 budget and the Governor's proposed 2011-12 budget may be found at the internet website of the California Department of Finance, www.dof.ca.gov, under the heading "California Budget." The LAO's overviews of the 2010-11 State budget and the Governor's proposed 2011-12 budget may be found at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov.

Periodic reports on revenues and/or expenditures during the fiscal year are issued by the Governor's Office, the State Controller's Office and the LAO. The Department of Finance issues a monthly Bulletin, which reports the most recent revenue receipts as reported by State departments, comparing them to budget projections. The Governor's Office also formally updates its budget projections three times during each fiscal year, in January, May and at budget enactment. These bulletins and other reports are available on the Internet.

The information referred to above is prepared by the respective State agencies maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Future State Budgets. The District cannot predict what actions will be taken in the future by the Legislature and the Governor to deal with changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and state economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools as budgeted. However, the obligation to levy *ad valorem* taxes upon all taxable property within the District for the payment of principal of and interest on the Refunding Bonds would not be impaired.

Recent Litigation. From time to time, litigation is filed challenging the constitutionality of various aspects of the system of financing for public schools in California. In the latest such case, Maya Robles-Wong, et al. v. State of California, filed May 20, 2010, a plaintiff class of California public school students, several school districts, and the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association seeks a permanent

injunction compelling the State to abandon the existing system of public school finance in favor of one that would provide equal educational opportunity to all school-aged children in the State. The District is not a party to the case.

State Funding of School Construction

The State makes funding for school facility construction and modernization available to K-12 districts throughout the State through the Office of Public School Construction (“OPSC”) and the State Allocation Board (“SAB”), from proceeds of State general obligation bonds authorized and issued for this purpose (the “State Facility Program”). Such bonds were authorized in the amount of \$13.05 billion, \$11.40 billion of which were for K-12 school facilities and \$1.65 billion of which were for higher education facilities, on November 5, 2002 under Proposition 47, passed by 58.9% of the State-wide vote. An additional bond measure for education capital projects was approved on March 2, 2004 under Proposition 55, passed by 50.6% of the State-wide vote, in an authorization amount of \$12.3 billion, \$10.0 billion of which is for K-12 school facilities and \$2.3 billion of which is for higher education facilities. A State general obligation bond measure that includes \$7.329 billion for construction, modernization and related purposes for K-12 school districts was approved by a majority of voters in the November 7, 2006 State-wide election.

The SAB allocates bond funds for 50% of approved new construction costs, 60% of approved modernization costs (80% for modernization project applications made prior to February 1, 2002), or up to 100% of approved costs of any type if the school district is approved for “hardship” funding. The school district is responsible for the portion of costs not funded by the State, commonly funding their portion with their own general obligation bonds, certificates of participation, or accumulated builder’s fee revenue. School districts routinely apply for such funding whenever they have projects they believe meet OPSC and SAB criteria for funding.

State Retirement Programs

School districts participate in the State of California Teachers Retirement System (“STRS”). STRS covers all full-time and most part-time employees with teaching certificates. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools. School districts also participate in the State of California Public Employees Retirement System (“PERS”). PERS covers all classified personnel, generally those employees without teaching certificates, who are employed at least four hours per day. In order to receive PERS benefits, an employee must be at least 50 years old and have had five years of covered PERS service as a public employee.

Contribution rates to PERS varies with changes in actuarial assumptions and other factors, such as changes in benefits and investment performance, and are set by a State retirement board for PERS. The contribution rates are set by statute for STRS at a constant 8.25% of salary. STRS has a substantial State-wide unfunded liability. Under current law, the liability is the responsibility of the State and not of individual school districts. See “**District General Information and Tax Base Information**” herein for information regarding the District’s contributions to these retirement systems.

County Office of Education

In each county there is a county superintendent of schools (the “County Superintendent”) and a county board of education. The Office of the County Superintendent, frequently known as the “County Office of Education” (the “County Office” herein) in each county provides the staff and organization that

carries out the activities and policies of the County Superintendent and county board of education for that county.

County Offices provide instructional and support services to school districts within their counties, and various State mandated services county-wide, particularly in special education and juvenile court education services. County Office business services departments act as a control point for a variety of information, including pupil data collection, attendance accounting, teacher credential registration, payroll accounting, retirement and tax information and school district budgets, and also report such information to the State Department of Education. All school district budgets must be approved by their County Office and each district must provide its County Office with scheduled interim reports throughout the fiscal year. County Offices also act as enforcement entities which intervene in district fiscal matters should a district fail to meet State budget and reporting criteria.

The District is under the jurisdiction of, and is served by, the County Office for San Luis Obispo County.

School District Budget Process

School districts are required by provisions of the California State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. School districts' annual general fund expenditures are characterized in large part by multi-year expenditure commitments, such as union contracts. Year-to-year fluctuations in State and local funding of school district general funds could result in revenue decreases which, if large enough, may not easily be offset by an equal reduction in expenditures until at least the following fiscal year. School districts are required by State law to maintain general fund reserves which can be drawn upon in the event of a resulting excess of expenditures over revenues for a given fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the County Superintendent, or as needed. Under either procedure, the school board must revise its adopted budget within 45 days after the Governor signs the State budget act to reflect any changes in budgeted revenues or expenditures made necessary by the adoption of the State's budget.

For both dual and single budgets submitted on July 1, the County Superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations and is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the County Superintendent will approve or disapprove the adopted budget for each school district. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved.

Subsequent to approval, the County Superintendent throughout the fiscal year is authorized to monitor each school district under his or her jurisdiction pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If a County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and the County Superintendent may do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations, or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of any collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

At minimum, school districts are required by statute to file with their County Superintendent and the State Department of Education a First Interim Financial Report by December 15th covering financial operations from July 1 through October 31st, and a Second Interim Financial Report by March 15th covering financial operations from November 1 through January 31st. Section 42131 of the California Education Code requires that each interim report be certified by the school board as either (a) "positive," certifying that the district, "based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years," (b) "qualified," certifying that the district, "based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years," or (c) "negative," certifying that the district, "based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year." A certification by a school board may be revised by the County Superintendent. If either the First or Second Interim Report is not "positive," the County Superintendent may require the district to provide a Third Interim Financial Report by June 1st covering financial operations from February 1st through April 30th. If not required, a Third Interim Financial Report generally is not prepared (though may be at the election of the district). Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. After the close of the fiscal year, an unaudited financial report for the fiscal year is prepared and filed without certification with the County Superintendent and the State Department of Education.

Temporary Inter-Fund Borrowing

The California Education Code generally authorizes a school district to temporarily transfer cash from a specific purpose fund to any other district fund by district board action; *provided that*, (a) the transferred cash is repaid to the original fund within the same fiscal year, or (b) if transferred within the final 120 days of a fiscal year, then repaid to the original fund within the following fiscal year. However, depending on the circumstances of a particular transfer, other State law, grant or contractual restrictions, or federal tax law may apply and may further restrict the use of such cash.

Accounting Practices

The accounting policies of California school districts conform to generally accepted accounting principles, as modified in accordance with policies and procedures of the California School Accounting Manual. This manual, pursuant to Section 41010 of the California Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period

in which the liability is incurred. See also “**Appendix A - Notes to Financial Statements - Note 1**” for further discussion of applicable accounting policies.

County Investment Pool

In accordance with California Education Code Section 41001, each California public school district maintains substantially all of its operating funds in the county treasury of the county in which it is located, and each county treasurer or finance director serves as *ex officio* treasurer for those school districts located within the county. Each county treasurer or finance director has the authority to invest school district funds held in the county treasury. Generally, the county treasurer or finance director pools county funds with school district funds and funds from certain other public agencies and invests the cash. These pooled funds are carried at cost. Interest earnings are accounted for on either a cash or accrual basis and apportioned to pool participants on a regular basis.

Each county treasurer is required to invest funds, including those pooled funds described above, in accordance with Government Code Sections 53601 *et seq.* In addition, each county treasurer is required to establish an investment policy which may impose further limitations beyond those required by the Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the County Treasurer-Tax Collector, San Luis Obispo County, 1055 Monterey Street, Room D-290, San Luis Obispo, California 93408, telephone (805) 781-5842. It is not intended that such information be incorporated into this Official Statement by such references. Certain information concerning the County’s pooled investment policy (effective November 23, 2010) and its portfolio as of December 31, 2010, are included herein in “**Appendix D — San Luis Obispo County Investment Policy and Investment Pool.**”

DISTRICT GENERAL INFORMATION AND TAX BASE INFORMATION

The description in this section concerning District general operating and financial information is provided as supplementary information only. It should not be inferred from the inclusion of this information that any of the matters discussed in this section affect in any way the obligation of the County on behalf of the District to levy ad valorem taxes on taxable property within the District in an amount sufficient to pay all amounts due on the Bonds.

*This section presents certain information concerning the property tax base in the District. For general information on how ad valorem property tax is assessed, levied and collected, see “**Security and Sources of Payment for the Bonds**” herein.*

Introduction

The District was established as a unified school district in 1997 after more than 60 years of operating as Cambria Union Elementary School District and Coast Union High School District. The District is located in San Luis Obispo County on the Central Coast of California in the community of Cambria. The District consists of one K-5 elementary school, one 6-8 middle school, one traditional 9-12 high school and one alternative high school. There are approximately 764 students enrolled K-12. The District also serves the communities of San Simeon to the north and Cayucos to the south (grades 9-12) as well as surrounding rural areas. The area’s economy is primarily based on the tourism and agriculture industries. The economic status of the local population is very diverse and includes low, middle and high-income families.

The 2009/10 pupil-teacher ratios are as follows:

**COAST UNIFIED SCHOOL DISTRICT
Pupil - Teacher Ratios**

<u>Grade</u>	<u>Ratio</u>
K through 3	1 to 20
4 through 6	1 to 22
7 and 8	1 to 17
9 through 12	1 to 13
Charter School Continuation	1 to 8

Source: Coast Unified School District

The District is governed by a Board of Trustees consisting of five members. Members are elected to four-year terms in alternate slates. The day-to-day operations are managed by a Board-appointed Superintendent of Schools. Chris Adams was appointed Superintendent in 2008.

Average Daily Attendance and Revenue Limit

The following table reflects historical and estimated average daily attendance for the District. A.D.A. calculations are based on actual attendance.

**COAST UNIFIED SCHOOL DISTRICT
Average Daily Attendance**

<u>Academic Year</u>	<u>Average Daily Attendance^(a)</u>
2005/06	838.86
2006/07	819.03
2007/08	751.91
2008/09	722.89
2009/10	716.70

^(a) Includes K-12, special education, continuation education, home and hospital/other; excludes adult education and charter schools.

Source: Coast Unified School District

The District's annual revenue limit per A.D.A. after applying State deficit factor was \$5,569.82 for 2009/10, and is \$5,576.05 per A.D.A. for 2010/11. See "**General School District Financial Information — State Funding of School Districts**" herein for an explanation of revenue limit funding.

Labor Relations

The District employs 53.66 full-time equivalent certificated and 41.19 full-time equivalent classified employees. There are two formal bargaining organizations operating in the District which are described in the table below. Presently, certain supervisors, management and confidential employees, an aggregate total of 14 full-time equivalent, are not represented by an exclusive bargaining agent. Salaries and benefits for supervisors, management and confidential employees are determined through an informal process of “meet and confer” with representatives from each of these classifications.

COAST UNIFIED SCHOOL DISTRICT Labor Relations

<u>Labor Organization</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
California Teachers Association	24	June 30, 2011
California School Employees Association	50	June 30, 2011

Source: Coast Unified School District

Retirement Programs

The District contribution to STRS for fiscal year 2009/10 is estimated to be \$318,800 and in fiscal year 2010/11 is estimated to be \$317,261. The District contribution to PERS for fiscal year 2009/10 is estimated to be \$180,143 and in fiscal year 2010/11 is estimated to be \$202,161. See “**General School District Financial Information — State Retirement Programs**” herein for further information on STRS and PERS.

Comparative Financial Statements and Estimated Budget

The following table reflects the District’s general fund revenues, expenditures and fund balances from fiscal year 2006/07 through fiscal year 2009/10 and the First Interim Financial Report figures for 2010/11. Year-end general fund balance is comprised of reserved and unreserved funds, including an amount required by the State for a “reserve for economic uncertainty” (minimum requirement of 3% of expenditures and transfers out). See “**Appendix A**” for further detail on the composition of the June 30, 2010 ending balance.

The District is required by provisions of the State Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed revenues plus the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting format for all California school districts. Under current law, the District Board of Trustees approves an adopted budget by July 1 of each fiscal year.

COAST UNIFIED SCHOOL DISTRICT
General Fund Revenues, Expenditures and Fund Balance

	<u>2006/07</u> ⁽¹⁾	<u>2007/08</u> ⁽¹⁾	<u>2008/09</u> ⁽¹⁾	<u>2009/10</u> ⁽¹⁾	First Interim Report <u>2010/11</u>
REVENUES:					
Revenue Limit Sources:	--	--	--	--	\$401,153
State Apportionment	\$ 81,840	\$ (38,386)	\$ (18,177)	\$ (39,422)	--
Local Sources	7,160,167	7,800,722	8,384,272	8,406,406	--
Federal Revenues	318,947	303,208	496,850	621,660	202,148
Other State Revenues	2,489,280	1,912,191	1,532,138	1,473,454	181,773
Other Local Revenues	<u>704,267</u>	<u>524,379</u>	<u>622,536</u>	<u>401,722</u>	<u>149,271</u>
TOTAL REVENUES	10,754,501	10,502,114	11,017,619	10,863,820	934,346
EXPENDITURES:					
Instruction	5,536,723	\$5,822,553	5,835,340	5,850,943	--
Instruction-Related Services	708,771	650,716	711,755	682,856	--
Pupil Services	894,916	1,152,470	1,090,594	950,260	--
Ancillary Services	152,186	144,596	137,212	127,655	--
General Administration	839,302	1,004,138	986,301	1,064,774	--
Plant Services	1,197,959	1,229,828	1,692,509	1,298,550	--
Current:					
Certificated Salaries	--	--	--	--	1,020,999
Classified Salaries	--	--	--	--	532,830
Employee Benefits	--	--	--	--	458,855
Books and Supplies	--	--	--	--	240,451
Services and Other Operating Expenditures	--	--	--	--	416,374
Other Outgo	206,122	235,564	390,716	519,580	17,752
Capital Outlay	--	--	--	--	--
Debt Service:					
Principal	20,149	13,407	13,779	14,992	--
Interest	<u>5,359</u>	<u>4,345</u>	<u>3,973</u>	<u>2,760</u>	<u>--</u>
TOTAL EXPENDITURES	9,561,487	10,257,617	10,862,179	10,512,370	2,687,262
OTHER FINANCING SOURCES (USES)					
Transfers In	25,509	17,753	17,753	17,753	--
Transfers Out	(169,182)	(350,761)	(215,143)	(136,000)	(50,000)
Other Sources (Uses)	<u>--</u>	<u>--</u>	<u>4,402</u>	<u>--</u>	<u>--</u>
TOTAL OTHER FINANCING SOURCES (USES)	(143,673)	(333,008)	(192,988)	(118,247)	(50,000)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,193,014	244,497	155,440	351,450	(1,752,916)
NET CHANGE IN FUND BALANCE	1,049,341	(88,511)	(37,548)	233,203	(1,802,916)
FUND BALANCE JULY 1	<u>2,935,900</u>	<u>3,985,241</u>	<u>3,896,730</u>	<u>3,859,182</u>	<u>4,092,385</u>
FUND BALANCE JUNE 30	<u>\$3,985,241</u>	<u>\$3,896,730</u>	<u>\$3,859,182</u>	<u>\$4,092,385</u>	<u>\$2,289,469</u>

⁽¹⁾ District audited financial statements for each fiscal year indicated.

Source: Coast Unified School District

Audit

Basic Financial Statements with Management’s Discussion and Analysis, Independent Auditors’ Report, Required Supplementary Information, and Supplementary Information for the year ended June 30, 2010 (the “audited financial statements”) are included in **Appendix A** herein. The audited financial statements had an unqualified audit opinion and one finding. See “**Appendix A – Findings and Recommendation Section, Section II**” herein. The District considers the audited financial statements to be documents of public record. The District has not requested its auditors, Moss, Levy & Hartzheim LLP, to review this Official Statement, nor have they done so.

District Debt

General Obligation Bonds

As of June 30, 2010, the principal or denominational amounts of the District’s outstanding general obligation bonds, all payable from *ad valorem* property taxes levied and collected within the District by the County, is as follows:

**COAST UNIFIED SCHOOL DISTRICT
Outstanding General Obligation Bonds
As of June 1, 2010**

<u>Date of Issue</u>	<u>Series</u>	<u>Amount of Original Issue</u>	<u>Outstanding as of June 30, 2010</u>
1998	Election 1998	\$3,599,215.10	\$3,084,607

Source: Coast Unified School District

See “**Debt Service Schedule**” herein for debt service on the District’s Prior Bonds and the Bonds. See also “**Appendix A - Notes to Basic Financial Statements - Note 8**” for further description of long-term obligations of the District.

Capital Leases

As of June 30, 2010, the District had various capital leases under which title to the leased equipment passes to the District upon expiration of the lease period, with the following minimum lease payments, all payable from the general funds of the District:

COAST UNIFIED SCHOOL DISTRICT
Capital Lease Obligations

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2011	\$17,752
2012	17,752
2013	<u>17,752</u>
	\$53,256
Less amount representing interest:	<u>(4,721)</u>
Present value of net minimum lease payments:	<u>\$48,535</u>

Source: Coast Unified School District

See also “**Appendix A - Notes to Basic Financial Statements – Notes 7, 8, and 9**” for further description of other long-term obligations of the District.

Availability of Documents

Additional public documents will be made available upon request through the Business Office of the District. Such public documents include periodic financial reports such as interim reports, approved budget and audited financial statements. See “**Introduction — Other Information**” herein for contact information

Assessed Valuation

The following table represents the ten-year history of assessed valuation in the District. See “**Security and Sources of Payment for the Bonds — Assessed Valuation**” herein for further information on assessed valuation.

COAST UNIFIED SCHOOL DISTRICT
Assessed Valuation

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2001-02	\$1,756,858,045	\$0	\$17,807,438	\$1,774,665,483
2002-03	1,889,271,634	0	21,900,543	1,911,172,177
2003-04	2,047,654,261	0	22,704,685	2,070,358,946
2004-05	2,221,645,907	0	21,156,072	2,242,801,979
2005-06	2,424,723,694	0	21,872,122	2,446,595,816
2006-07	2,670,391,070	0	21,196,906	2,691,587,976
2007-08	2,881,239,938	0	21,216,963	2,902,456,901
2008-09	3,026,721,692	0	23,680,084	3,050,401,776
2009-10	3,060,260,683	0	23,730,291	3,083,990,974
2010-11	3,001,423,391	0	22,773,290	3,024,196,681

Source: California Municipal Statistics, Inc.

Secured Tax Charges and Delinquencies

The following table reflects the historical secured tax levy for bond debt service and year-end delinquencies for the District.

COAST UNIFIED SCHOOL DISTRICT Secured Tax Charges and Delinquencies⁽¹⁾

	<u>Secured Tax Charge</u> ⁽¹⁾	<u>Amount Delinquent</u> <u>as of June 30</u>	<u>% Delinquent</u> <u>as of June 30</u>
2005-06	Not available	--	--
2006-07	\$151,781.16	\$2,192.13	1.44%
2007-08	163,240.46	3,426.03	2.10
2008-09	171,098.96	4,989.79	2.92
2009-10	172,376.79	4,385.88	2.54

⁽¹⁾ Debt service levy only.

Source: California Municipal Statistics, Inc.

Under the Teeter plan, the County funds the District its full tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments, when the late taxes are collected. The County includes the District's general purpose secured property tax levy under the Teeter Plan and the *ad valorem* tax levy for the District's general obligation bonds. See "**Security and Sources of Payment for the Bonds — Teeter Plan**" herein.

Assessed Valuation by Jurisdiction

The following table shows the 2010-11 assessed valuation of property in the District by jurisdiction.

COAST UNIFIED SCHOOL DISTRICT 2010-11 Assessed Valuation by Jurisdiction ⁽¹⁾

<u>Jurisdiction:</u>	<u>Assessed Valuation</u> <u>in School District</u>	<u>% of</u> <u>School District</u>	<u>Assessed Valuation</u> <u>of Jurisdiction</u>	<u>% of Jurisdiction</u> <u>in School District</u>
City of Morro Bay	\$ 98,843	0.00%	\$1,906,104,332	0.01%
Unincorporated San Luis Obispo County	<u>3,024,097,838</u>	<u>100.00</u>	\$18,825,480,606	16.06%
Total San Luis Obispo County	\$3,024,196,681	100.00%	\$39,583,714,925	7.64%

⁽¹⁾ Before deduction of redevelopment incremental valuation.

Source: California Municipal Statistics, Inc.

Assessed Valuation and Parcels by Land Use

The following table shows the 2010-11 assessed valuation of property in the District by land use category.

COAST UNIFIED SCHOOL DISTRICT				
2010-11 Assessed Valuation and Parcels by Land Use				
	<u>2010-11</u> <u>Assessed Valuation</u> ⁽¹⁾	<u>% of</u> <u>Total</u>	<u>No. of</u> <u>Parcels</u>	<u>% of</u> <u>Total</u>
Non-Residential:				
Agricultural/Rural	\$ 38,628,744	1.29%	266	2.28%
Commercial	264,026,126	8.80	339	2.90
Vacant Commercial	19,908,070	0.66	68	0.58
Industrial	6,120,609	0.20	25	0.21
Recreational	5,826,811	0.19	10	0.09
Government/Social/Institutional	2,737,508	0.09	259	2.22
Miscellaneous	<u>3,367,846</u>	<u>0.11</u>	<u>12</u>	<u>0.10</u>
Subtotal Non-Residential	\$340,615,714	11.35%	979	8.39%
Residential:				
Single Family Residence	\$2,290,588,342	76.32%	5,538	47.43%
Condominium/Townhouse	96,644,076	3.22	329	2.82
Mobile Home	7,842,259	0.26	206	1.76
Mobile Home Park	10,026,398	0.33	6	0.05
2-4 Residential Units	51,288,672	1.71	124	1.06
5+ Residential Units/Apartments	7,091,338	0.24	15	0.13
Miscellaneous Residential	135,499	0.00	28	0.24
Vacant Residential	<u>197,057,326</u>	<u>6.57</u>	<u>4,419</u>	<u>37.85</u>
Subtotal Residential	\$2,660,673,910	88.65%	10,665	91.35%
Unknown Use	\$133,767	0.00%	31	0.27%
Total	\$3,001,423,391	100.00%	11,675	100.00%

⁽¹⁾ Local Secured Assessed Valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes

The following table shows the per parcel 2010-11 assessed valuation of single family homes.

**COAST UNIFIED SCHOOL DISTRICT
Per Parcel 2010-11 Assessed Valuation of Single Family Homes**

Single Family Residential	No. of <u>Parcels</u>	2010-11 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
	5,538	\$2,290,588,342	\$413,613	\$332,353

2010-11 <u>Assessed Valuation</u>	No. of <u>Parcels</u> ⁽¹⁾	% of <u>Total</u>	Cumulative <u>% of Total</u>	Total <u>Valuation</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>
\$0 - \$99,999	527	9.516%	9.516%	\$ 31,963,948	1.395%	1.395%
\$100,000 - \$199,999	889	16.053	25.569	137,607,214	6.008	7.403
\$200,000 - \$299,999	1,062	19.177	44.745	264,188,797	11.534	18.937
\$300,000 - \$399,999	820	14.807	59.552	284,881,140	12.437	31.374
\$400,000 - \$499,999	715	12.911	72.463	318,663,719	13.912	45.286
\$500,000 - \$599,999	445	8.035	80.498	242,864,535	10.603	55.888
\$600,000 - \$699,999	334	6.031	86.529	214,411,577	9.361	65.249
\$700,000 - \$799,999	226	4.081	90.610	168,757,493	7.367	72.616
\$800,000 - \$899,999	138	2.492	93.102	116,576,004	5.089	77.706
\$900,000 - \$999,999	98	1.770	94.872	92,279,913	4.029	81.734
\$1,000,000 - \$1,099,999	74	1.336	96.208	77,321,715	3.376	85.110
\$1,100,000 - \$1,199,999	49	0.885	97.093	56,107,501	2.449	87.559
\$1,200,000 - \$1,299,999	33	0.596	97.689	41,117,911	1.795	89.354
\$1,300,000 - \$1,399,999	24	0.433	98.122	32,070,959	1.400	90.755
\$1,400,000 - \$1,499,999	12	0.217	98.339	17,184,852	0.750	91.505
\$1,500,000 - \$1,599,999	18	0.325	98.664	27,743,997	1.211	92.716
\$1,600,000 - \$1,699,999	13	0.235	98.899	20,993,296	0.917	93.632
\$1,700,000 - \$1,799,999	10	0.181	99.079	17,343,248	0.757	94.390
\$1,800,000 - \$1,899,999	6	0.108	99.187	11,122,579	0.486	94.875
\$1,900,000 - \$1,999,999	9	0.163	99.350	17,389,878	0.759	95.634
\$2,000,000 and greater	<u>36</u>	<u>0.650</u>	100.000	<u>99,998,066</u>	<u>4.366</u>	100.000
Total	5,538	100.000%		\$2,290,588,342	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

Tax Rates

The following is a summary of tax rates for a representative tax rate area, TRA 63-30, within the District. See “**Security and Sources of Payment for the Bonds**” for further information on establishing tax rates.

COAST UNIFIED SCHOOL DISTRICT
Summary of Tax Rates
TRA 63-30

	<u>2006/07</u> <u>Tax Rate</u>	<u>2007/08</u> <u>Tax Rate</u>	<u>2008/09</u> <u>Tax Rate</u>	<u>2009/10</u> <u>Tax Rate</u>	<u>2010/11</u> <u>Tax Rate</u>
General	1.00000	1.00000	1.00000	1.00000	1.00000
State Water Project	.00221	.00220	.00220	.00220	.00290
Coast Unified School District	.00568	.00568	.00568	.00568	.00586
Coast Unified School District SFID No. 1	<u>.02633</u>	<u>.02633</u>	<u>.02633</u>	<u>.02633</u>	<u>.02710</u>
Total	<u>1.03422</u>	<u>1.03421</u>	<u>1.03421</u>	<u>1.03421</u>	<u>1.03586</u>

Source: California Municipal Statistics, Inc.

Largest Taxpayers

The twenty largest taxpayers in the District, as shown on the 2010/11 secured tax roll, and the amounts of their assessed valuation for all taxing jurisdictions within the District, are shown below.

COAST UNIFIED SCHOOL DISTRICT Largest 2010-2011 Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	2010-11 <u>Assessed Valuation</u>	% of <u>Total</u> ⁽¹⁾
1.	Dirk S. Winter, Trust	Hotel/Motel	\$ 13,394,261	0.45%
2.	Blacks Hatchery & Turkey Farms Inc.	Hotel/Motel	11,107,885	0.37
3.	Hearst Holdings Inc.	Rural Land	10,068,172	0.34
4.	Fogcatcher Inn LLC	Hotel/Motel	9,761,424	0.33
5.	Aramark Sports & Entertainment LLC	Recreational-Hearst Castle	8,476,952	0.28
6.	PM Ranch LLC	Residential	8,070,480	0.27
7.	Whale Rock Terrace Inc.	Mobile Home Park	7,945,536	0.26
8.	Broughton San Simeon LLC	Hotel/Motel	7,116,482	0.24
9.	Pelican Hotel LLC	Hotel/Motel	7,025,158	0.23
10.	Caspian Properties Inc.	Residential	6,971,390	0.23
11.	Paul J. Balson, Trust	Residential	6,797,162	0.23
12.	James W. Townsend, Trust	Residential	5,709,773	0.19
13.	Partnership LF	Commercial	5,698,498	0.19
14.	Dwight A. and Arlene M. Steffensen	Residential	5,085,000	0.17
15.	John F. Swift	Residential	5,015,810	0.17
16.	Amritlal L. and Nilam Patel	Hotel/Motel	4,942,376	0.16
17.	Moonstone Landing LLC	Hotel/Motel	4,919,120	0.16
18.	Lloyd Greif, Trust	Rural Land	4,852,421	0.16
19.	Cypress Cove Inn LLC	Hotel/Motel	4,760,012	0.16
20.	Motel 6 Operating LP	Hotel/Motel	<u>4,528,242</u>	<u>0.15</u>
			\$142,246,154	4.74%

⁽¹⁾ 2010-11 Local Secured Assessed Valuation: \$3,001,423,391.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. and dated as of January 1, 2011. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. The first column lists local agencies with territory overlapping, at least in part, that of the District. The second column shows the portion of each overlapping entity’s debt assignable within the boundaries of the District, and the third column shows the amount of that portion of the overlapping entity’s existing debt. The total

amount of debt for each overlapping entity is not given. The Debt Report also shows, at the top, the gross assessed valuation, less any redevelopment agency tax increment and the resulting net assessed valuation after deducting redevelopment agency tax increment. *Ad valorem* tax levy rates for paying general obligation bonds are determined on the basis of gross assessed valuation; allocation of the basic 1% *ad valorem* tax levy to taxing agencies within a county is determined on the basis of the net assessed valuation after deducting redevelopment agency tax increment.

COAST UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Debt

2010-11 Assessed Valuation: \$3,024,196,681

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/11</u>
Coast Unified School District	100. %	\$ 3,045,254 ⁽¹⁾
Coast Unified School District School Facilities Improvement District No. 1	100.	11,474,903
Cayucos Elementary School District	100.	<u>7,458,123</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$21,978,280
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Luis Obispo County Certificates of Participation	7.877%	\$ 2,990,897
San Luis Obispo County Pension Obligations	7.877	9,664,244
San Luis Obispo Community College District Certificates of Participation	7.847	<u>3,099,173</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$15,754,314
COMBINED TOTAL DEBT		\$37,732,594 ⁽²⁾

(1) Excludes general obligation bonds to be sold.

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

Ratios to Assessed Valuation:

Direct Debt (\$14,520,157)	0.48%
Total Direct and Overlapping Tax and Assessment Debt .	0.73%
Combined Total Debt.....	1.25 %

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

Source: California Municipal Statistics, Inc.

ECONOMIC PROFILE SAN LUIS OBISPO COUNTY

Introduction

The District is located in the community of Cambria in San Luis Obispo County.

San Luis Obispo County is located on California's central Pacific coast, and encompasses approximately 3,304 square miles. The County is bordered by Monterey County on the north, Kern County on the east, Santa Barbara County on the south, and the Pacific Ocean on the west.

County Government

San Luis Obispo County is a general law county. It is governed by a five-member Board of Supervisors elected to serve four-year terms. Other elected officials include the Assessor, District Attorney and Sheriff. A County Executive appointed by the Board of Supervisors runs the day-to-day business of the County.

Population

According to California Department of Finance's estimates, the County's population was 273,231 on January 1, 2010, an increase of 0.8% over the 2009 population, and an increase of 4.4% over the 2005 population. Historical population figures are shown in the following table.

SAN LUIS OBISPO COUNTY POPULATION

<u>Area</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Arroyo Grande	16,602	16,645	16,834	16,990	17,110	17,145
Atascadero	27,700	27,731	27,899	28,514	28,488	28,560
El Paso de Robles	28,075	29,051	29,648	29,854	30,004	30,072
Grover Beach	13,280	13,250	13,144	13,177	13,278	13,276
Morro Bay	10,553	10,521	10,485	10,521	10,576	10,608
Pismo Beach	8,676	8,642	8,582	8,580	8,677	8,704
San Luis Obispo	44,687	44,559	44,433	44,579	44,829	44,948
Balance of County	<u>112,126</u>	<u>113,540</u>	<u>115,018</u>	<u>116,421</u>	<u>117,939</u>	<u>119,918</u>
County Total	261,699	263,939	266,043	268,636	270,901	273,231

Source: State of California, Department of Finance, 2000 Benchmark.

Industry

The majority of the County's labor market centers around government, retail and services. The following table shows the historical estimated number of wage and salary workers by industry group.

SAN LUIS OBISPO COUNTY Estimated Number of Wage and Salary Workers by Industry Group

<u>Type of Employment</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Farm	4,000	4,300	4,300	4,500	4,400	3,900
Mining, Logging & Construction	7,200	7,800	8,200	7,600	6,600	5,300
Manufacturing	6,400	6,400	6,300	6,100	6,200	5,500
Wholesale Trade	2,500	2,500	2,600	2,700	2,600	2,400
Retail Trade	13,500	13,900	14,300	14,200	13,800	12,800
Transportation, Warehousing & Utilities	3,700	3,600	3,800	4,100	3,900	3,800
Information	1,500	1,600	1,500	1,400	1,400	1,300
Financial Activities	4,700	4,800	4,900	4,600	4,200	4,000
Professional and Business Services	8,800	8,900	9,500	9,800	9,700	8,900
Educational and Health Services	10,500	10,800	10,800	11,100	11,400	11,300
Leisure and Hospitality	14,400	14,900	15,000	15,700	15,400	14,900
Other Services	4,100	4,300	4,300	4,500	4,500	4,500
Government	<u>22,000</u>	<u>21,800</u>	<u>22,200</u>	<u>22,300</u>	<u>23,300</u>	<u>23,600</u>
Total	103,100	105,600	107,500	108,600	107,400	102,200

Notes: Annual averages

Source: State of California Employment Development Department, March 2009 Benchmark.

Employment

The County's civilian labor force reached an annual level of 137,600 in 2009, an increase of 0.3% over 2008. Employment decreased during the period by approximately 4,100 people and unemployment increased by 4,500 people during that time. As a result, the County's unemployment increased to 9.0% in 2009. The following two tables show historical labor data force data and major private sector employers for the County.

SAN LUIS OBISPO COUNTY Civilian Labor Force, Employment and Unemployment

<u>Type of Employment</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Civilian Labor Force	131,700	133,100	134,800	137,200	137,600
Civilian Employment	126,100	127,900	129,100	129,400	125,300
Civilian Unemployment	5,700	5,200	5,800	7,800	12,300
Civilian Unemployment Rate	4.3%	3.9%	4.3%	5.7%	9.0%

Source: State of California Employment Development Department, March 2009 Benchmark.

**SAN LUIS OBISPO COUNTY
Major Employers**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
AMI Sierra Vista Radiology	San Luis Obispo	Non-Classified Establishments
Arroyo Grande Community Hosp	Arroyo Grande	Hospitals
Atascadero State Hospital	Atascadero	Hospitals
Cal Poly San Luis Obispo	San Luis Obispo	Schools-Universities & Colleges Academic
California Mid-State Fair	Paso Robles	Trade Fairs & Shows
Child Abuse & Neglect	San Luis Obispo	Social Service & Welfare Organizations
County Office of Education	San Luis Obispo	County Government-Education Programs
Cuesta College	Paso Robles	Schools-Universities & Colleges Academic
Cuesta College	San Luis Obispo	Schools-Universities & Colleges Academic
Division of Juvenile Justice	Paso Robles	State Govt-Correctional Institutions
Ernie Ball Inc.	San Luis Obispo	Musical Instruments-Manufacturers
French Hospital Medical Center	San Luis Obispo	Hospitals
Jennifer Loewen Photography	Paso Robles	Photographers-Portrait
Medi-Cal Eligibility Info	San Luis Obispo	Social Service & Welfare Organizations
Mental Marketing	Templeton	Marketing Consultants
Morro Bay Art Assoc Gallery	Morro Bay	Art Galleries & Dealers
Pacific Gas & Electric Co	Avila Beach	Electric Companies
San Luis Obispo County	San Luis Obispo	Government Offices-County
San Luis Obispo County Social	San Luis Obispo	Government Offices-County
San Luis Obispo Sheriff's Dept	San Luis Obispo	Sheriff
Selma A. Carlson Diagnostic Ctr	San Luis Obispo	Laboratories-Medical
Sierra Vista Regional Med Ctr	San Luis Obispo	Hospitals
Social Services Dept	San Luis Obispo	Government Offices-County
Twin Cities Community Hospital	Templeton	Hospitals
US Army Depot	San Miguel	Federal Government-National Security

Source: State of California Employment Development Department, America's Labor Market Information System (ALMIS).

Commercial Activity

The following table shows taxable transactions in San Luis Obispo County for the years 2004 through 2008.

**SAN LUIS OBISPO COUNTY
Taxable Transactions⁽¹⁾**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008⁽²⁾</u>
Apparel stores	\$102,579	\$127,207	\$137,311	\$146,917	\$150,848
General merchandise store	320,946	350,744	420,366	423,948	413,317
Food stores	165,706	182,281	183,701	189,069	192,096
Eating & drinking places	385,221	407,968	435,487	459,757	457,219
Home furnishings & appliances	121,675	133,950	133,146	132,874	124,362
Building materials	375,649	405,098	409,719	364,601	280,015
Automotive	577,670	609,658	583,275	481,314	377,185
Service Stations	284,243	329,961	353,271	375,554	402,413
Other retail stores	<u>428,050</u>	<u>458,786</u>	<u>472,316</u>	<u>480,825</u>	<u>430,091</u>
Retail Stores Total	2,761,739	3,005,653	3,128,592	3,054,859	2,827,545
Business & Personal Services	134,008	142,882	147,929	146,840	133,372
All other Outlets	<u>773,146</u>	<u>787,923</u>	<u>943,915</u>	<u>1,065,940</u>	<u>1,013,310</u>
Totals All Outlets	\$3,668,893	\$3,936,458	\$4,220,436	\$4,267,639	\$3,974,226

⁽¹⁾ Amounts in thousands

⁽²⁾ Latest data available

Source: California State Board of Equalization.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), the interest on the Bonds is taken into account in determining certain income and earnings, and the Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), such that, in the case of certain financial institutions (within the meaning of Section 265(b)(3) of the Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution’s interest expense allocable to interest payable on the Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond’s maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between

compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

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

Other Tax Considerations. Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

OTHER LEGAL MATTERS

No Litigation

No litigation is pending concerning the validity of the Bonds, and a certificate or certificates to that effect will be furnished to the initial purchaser of the Bonds 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 and retire the Bonds.

Legality for Investment in California

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

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Bond Counsel. A complete form of the proposed opinion of Bond Counsel is set forth in **Appendix B** hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement.

MISCELLANEOUS

Rating

Moody's Investors Service has assigned its municipal bond rating of "Aa3" to the Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it (some of which may not be included in this Official Statement) and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Underwriting

Pursuant to a negotiated sale on March 2, 2011, George K. Baum & Company, as Underwriter (the “Underwriter”), has agreed to purchase the Bonds from the District at the purchase price of \$2,552,074, which is equal to the initial principal amount of the Bonds of \$2,595,000, minus an original issue discount of \$19,571, minus an Underwriter’s discount of \$23,355 from which the Underwriter will receive compensation for underwriting the Bonds. The Underwriter will be obligated to take and pay for all of the Bonds, if any Bond is purchased.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District’s fiscal year (the “Annual Report”), commencing with the Annual Report for the 2009/10 Fiscal Year (provided that the first Annual Report shall consist solely of this Official Statement), and to provide notices of the occurrence of certain listed events. Currently, the District’s Fiscal Year ends on June 30 of each year. The Annual Report will be filed by the District in readable PDF or other acceptable electronic form with the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board (“EMMA”). Any notices of material events will be filed with EMMA in the same manner as an Annual Report. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below under the caption “**Appendix C — Form of Continuing Disclosure Certificate.**” These covenants have been made to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Financial Advisor

The District has entered into an agreement with the Financial Advisor, whereunder the Financial Advisor provides financial recommendations and guidance to the District with respect to preparation and sale of the Bonds. The Financial Advisor has read and participated in the drafting of certain portions of this Official Statement and the completion and editing thereof. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the District, with respect to accuracy and completeness of disclosure of such information, and the Financial Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the documents, statutes and constitutional provisions referenced herein, do not purport to be complete, and reference is made to said documents, statutes, and constitutional provisions for full and complete statements of their provisions. This Official Statement has been reviewed and approved by the District.

COAST UNIFIED SCHOOL DISTRICT

By: _____
Chris Adams, Superintendent

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APPENDIX A

**BASIC FINANCIAL STATEMENTS, WITH MANAGEMENT'S DISCUSSION
AND ANALYSIS, INDEPENDENT AUDITOR'S LETTER AND CERTAIN
SUPPLEMENTARY INFORMATION FOR YEAR ENDED JUNE 30, 2010 FOR
COAST UNIFIED SCHOOL DISTRICT**

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COAST UNIFIED SCHOOL DISTRICT
COUNTY OF SAN LUIS OBISPO
CAMBRIA, CALIFORNIA

AUDIT REPORT
June 30, 2010

COAST UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Coast Unified School District
Cambria, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coast Unified School District as of and for the fiscal 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 the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 the Coast Unified School District at June 30, 2010, and the respective changes in financial position thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to basic financial statements effective July 1, 2009, the Coast Unified School District adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the budgetary information on page 35, 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, of 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2010, on our consideration of the Coast Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Coast Unified School District's basic financial statements. The accompanying combining and individual fund financial statements and schedules, financial, and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Coast Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

December 14, 2010

COAST UNIFIED SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

This section of Coast Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Coast Unified School District (the District) and its component units using the integrated approach as prescribed by GASB Statement Number 34. The report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

Government-Wide Statements

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting, which is similar to those used by private-sector companies. They provide both short-term and long-term information about the District's overall financial status. These statements include all assets of the District as well as all liabilities (including long-term debt). All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Additionally, certain eliminations have occurred as prescribed by the GASB statement Number 34 in regards to interfund activity, payables, and receivables.

The government-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- In the district-wide financial statements the District's activities are considered Governmental activities categories.
- Governmental activities— All District services are included here, for example regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The Fund Financial Statements include statements for each of the two categories of activities: governmental and fiduciary. They focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements (which reports on the District as a whole).

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

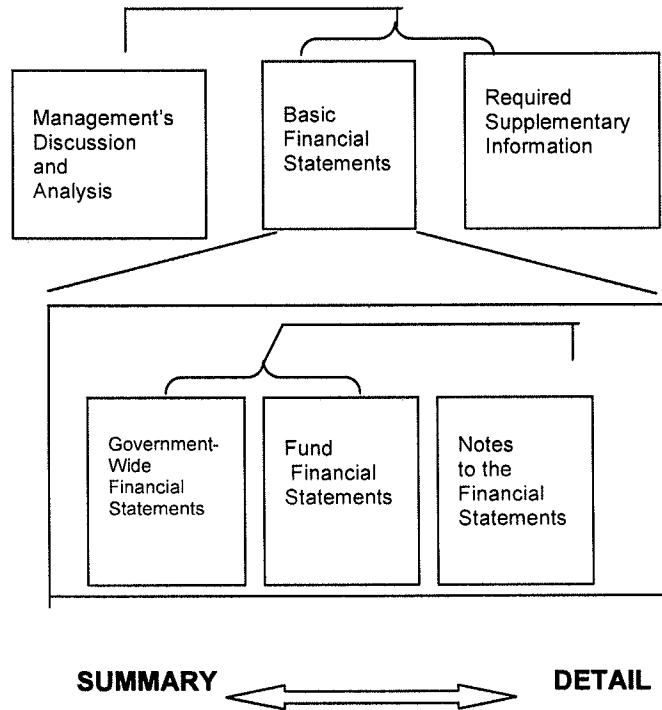
The District has two kinds of funds:

- *Governmental funds*— These statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. They tell how basic services like regular and special education were financed in the short term as well as what remains for future spending. All of the District's basic services are included in governmental funds, which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information after the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary funds*— The District is the trustee, or fiduciary, for assets that belong to others, in this case, the student activities (agency) funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets, which only report a balance sheet and do not have a measurement focus. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

The financial statements also include *notes* that explain some of the information of the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1: Organization of Coast Unified School District Annual Financial Report



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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- The District’s financial status remains stable. Total net assets were \$ 22.1 million at June 30, 2010.
- The District became Basic Aid in 2004-2005.
- Overall revenues were over \$ 12.2 million.
- Enrollment is declining. Enrollment based on CBEDS totals of 754 was 9 students less than the prior year.
- Construction growth has begun to increase. Our revenues from Developer Fee funds increased 4.9% from last year to \$72,619 in income this year.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets

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

These two statements report the District's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*.

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

In the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets*, we report all activity under District Total. All of the District's services are reported in this category, and include the education of kindergarten through grade twelve students, and the on-going effort to improve and maintain buildings and sites. Property taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

A more detailed analysis of the District's net assets and changes in net assets follows:

Net assets. The District's combined net assets were less on June 30, 2010, than they were the year before decreasing \$ 22.8 to \$ 22.1 million.

Table A-1: 2009-10 STATEMENT OF NET ASSETS

	Governmental Activities		Total Percentage Change
	<u>2010</u>	<u>2009</u>	<u>2010/2009</u>
<u>Assets</u>			
Cash	\$ 5,842,525	\$5,344,743	9.31%
Receivables	546,772	503,185	8.66%
Stores	2,682	1,829	46.64%
Capital assets:			
Land	923,886	923,886	0.00%
Buildings and Improvements	40,127,742	40,050,031	0.19%
Equipment	1,429,889	1,458,126	(1.94%)
Work in progress	0	0	0.00%
Less accumulated depreciation	<u>(9,608,910)</u>	<u>(8,425,429)</u>	(14.05%)
Total assets	<u>\$39,264,586</u>	<u>\$39,856,371</u>	(1.48%)
<u>Liabilities</u>			
Accounts payable & other current liabilities	\$ 783,423	\$ 587,460	33.36%
Current loans	0	0	0.00%
Deferred revenue	0	51,202	(100.00%)
Long-term liabilities:			
Due within one year	313,383	282,934	10.76%
Due in more than one year	<u>16,085,086</u>	<u>16,180,984</u>	(0.59%)
Total liabilities	<u>\$17,181,892</u>	<u>\$17,102,580</u>	0.46%
<u>Total Net Assets</u>	<u>\$22,082,694</u>	<u>\$22,753,791</u>	(2.95%)

Changes in net assets. The District's total revenues were over \$ 12.2 million for the fiscal year ended June 30, 2010 (See Table A-2).

The total cost of all programs and services was \$ 12.9 million. The majority of the District's expenses relate to educating and caring for students 61%. Administrative activities of the District accounted for just 8.3% of total costs. The remaining expenses were for plant services (maintenance and operations), community services, ancillary services, other outgo and transfers out.

TABLE A-2: CHANGES IN NET ASSETS	Governmental Activities		Total Percentage
	<u>2010</u>	<u>2009</u>	<u>2010/2009</u>
<u>Revenues</u>			
General revenues:			
Revenue Limit Sources & Taxes	\$9,346,601	\$9,292,449	0.58%
Federal and State Aid (not restricted)	953,995	774,702	23.14%
Charges for Services	196,611	206,426	(4.75%)
Capital Grants and Contributions	0	0	0.00%
Interest and miscellaneous	313,774	506,249	(38.02%)
Operating Grants and Contributions	<u>1,429,860</u>	<u>1,549,812</u>	(7.74%)
Total Revenues	<u>\$12,240,841</u>	<u>\$12,329,638</u>	(0.72%)
<u>Expenses</u>			
Instruction/Instruction Related	\$6,541,537	\$6,555,112	(0.21%)
Pupil Services	1,328,890	1,471,388	(9.68%)
Administration	1,066,953	1,055,098	1.12%
Plant Services	1,251,437	1,111,742	12.56%
Other Outgo	519,580	390,716	32.98%
Interest	804,150	772,683	4.07%
Ancillary Services	127,655	137,212	(6.96%)
Depreciation	<u>1,271,736</u>	<u>1,267,812</u>	0.31%
Total Expenses	<u>\$12,911,938</u>	<u>\$12,761,763</u>	1.18%
<u>Change in Net Assets</u>	\$ (671,097)	\$ (432,125)	(55.30%)

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2010 the District had \$ 32,872,607 in a broad range of capital assets, including land, buildings, and furniture and equipment Table 3 shows these amounts net of accumulated depreciation.

TABLE A-3: CAPITAL ASSETS AT YEAR-END
(net of depreciation)

	Governmental Activities		Total Percentage Change
	<u>2010</u>	<u>2009</u>	2010/2009
Land	\$923,886	\$923,886	0.00%
Construction in progress	0	0	0.00%
Buildings and Improvements	31,479,173	32,437,913	(2.96%)
Equipment	<u>469,548</u>	<u>644,815</u>	(27.18%)
Total	<u>\$32,872,607</u>	<u>\$34,006,614</u>	(3.33%)

Long-Term Debt

At fiscal year end, the District had \$ 14,963,010 long-term debt. This debt includes G.O. bonds, capital leases, compensated absences and other post employment benefits.

TABLE A-4: LONG-TERM DEBT

	Governmental Activities		Total Percentage
	<u>2010</u>	<u>2009</u>	Change
			<u>2009/2008</u>
General Obligation Bonds	\$14,809,510	\$15,069,118	(1.72%)
Capital Leases	48,535	63,527	(23.17%)
Compensated Absences Payable	87,757	71,416	22.88%
Other Post Employment Benefits	<u>17,208</u>	<u>25,811</u>	<u>(33.33%)</u>
Total	<u>\$14,963,010</u>	<u>\$15,229,872</u>	<u>(1.75%)</u>

ECONOMIC FACTORS AND NEXT FISCAL YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- Negotiations with all bargaining units have not been settled for the 2010-11 fiscal year. The District will still have to work on the issues of ever increasing costs of health benefits, and the change in the states economy.
- The District's special education costs continue to escalate at a rate higher than funding increases. The district is also billed by the County Office of Education SELPA to fund the increasing shortfall for special education expenses for regional programs.
- The District is not experiencing student growth, but tax collections moved the District into Basic Aid in 2004-05 and tax collections have decreased due to the slow down in property sales.
- The continued uncertainty of the State budget in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Sharon Henslin, Business Manager for Coast Unified School District, at 1350 Main Street, Cambria, CA 93428, or by email at [shenslin @coastusd.org](mailto:shenslin@coastusd.org).

COAST UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities
Assets	
Cash in county treasury	\$ 5,831,525
Revolving cash fund	10,000
Cash in banks	1,000
Accounts receivable	546,772
Inventories, at cost	2,682
Land	923,886
Buildings and improvements	40,127,742
Equipment	1,429,889
Less accumulated depreciation	<u>(9,608,910)</u>
Total assets	<u>39,264,586</u>
Liabilities	
Accounts payable	488,938
Interest payable	294,485
Long-term liabilities:	
Due within one year:	
General obligation bonds payable	289,352
Capital lease payable	15,427
Post employment benefits	<u>8,604</u>
Total due within one year	<u>1,096,806</u>
Due after one year:	
General obligation bonds payable	14,520,158
Compensated absences payable	87,757
Capital lease payable	33,108
Post employment benefits	8,604
Interest payable	<u>1,435,459</u>
Total due after one year	<u>16,085,086</u>
Total liabilities	<u>17,181,892</u>
Net Assets	
Invested in capital assets, net of related debt	18,014,562
Restricted for:	
Capital projects	293,953
Unrestricted	<u>3,774,179</u>
Total net assets	<u>\$ 22,082,694</u>

The accompanying notes are an integral part of this statement.

COAST UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Instruction	\$ 5,842,340	\$ 7,766	\$ 734,536	\$ -
Instruction-related services:				
Supervision of instruction	7,677	-	7,790	-
Instructional library, media, and technology	54,089	-	-	-
School site administration	637,431	-	6,599	-
Pupil services:				
Home-to-school transportation	435,478	29,495	238,218	-
Food services	378,631	73,984	218,044	-
All other pupil services	514,781	-	113,339	-
General administration:				
All other general administration	1,066,953	83	59,845	-
Plant services	1,251,437	4,272	12,199	-
Ancillary services	127,655	-	-	-
Interest on long-term debt	804,150	-	-	-
Other outgo	519,580	81,011	39,290	-
Depreciation (unallocated)	1,271,736	-	-	-
Total governmental activities	\$ 12,911,938	\$ 196,611	\$ 1,429,860	\$ -

General revenues:

 Taxes and subventions:

 Taxes levied for general purposes

 Taxes levied for debt service

 Federal and state aid not restricted to specific purposes

 Interest and investment earnings

 Interagency revenues

 Miscellaneous

Total general revenues

Change in net assets

Net assets, beginning of fiscal year

Net assets, end of fiscal year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets	
\$	(5,100,038)
	113
	(54,089)
	(630,832)
	(167,765)
	(86,603)
	(401,442)
	(1,007,025)
	(1,234,966)
	(127,655)
	(804,150)
	(399,279)
	<u>(1,271,736)</u>
	<u>(11,285,467)</u>
	8,416,768
	929,833
	953,995
	27,198
	12,000
	<u>274,576</u>
	<u>10,614,370</u>
	(671,097)
	<u>22,753,791</u>
\$	<u><u>22,082,694</u></u>

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

	General Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 4,047,601	\$ 1,193,031	\$ 590,893	\$ 5,831,525
Cash on Hand and in Banks	-	-	1,000	1,000
Cash in Revolving Fund	10,000	-	-	10,000
Accounts Receivable	523,056	-	23,716	546,772
Stores Inventories	-	-	2,682	2,682
Total Assets	<u>\$ 4,580,657</u>	<u>\$ 1,193,031</u>	<u>\$ 618,291</u>	<u>\$ 6,391,979</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 488,272	\$ -	\$ 666	\$ 488,938
Total Liabilities	<u>488,272</u>	<u>-</u>	<u>666</u>	<u>488,938</u>
Fund Balances:				
Reserved Fund Balances:				
Reserve for Revolving Cash	10,000	-	-	10,000
Reserve for Stores Inventories	-	-	2,682	2,682
Reserve for Legally Restricted Balances	225,218	-	-	225,218
Designated Fund Balances:				
Designated for Economic Uncertainties	851,870	-	-	851,870
Other Designated	2,853,743	-	-	2,853,743
Unreserved	151,554	1,193,031	-	1,344,585
Unreserved, reported in nonmajor:				
Special Revenue Funds	-	-	148,597	148,597
Capital Projects Funds	-	-	466,346	466,346
Total Fund Balances	<u>4,092,385</u>	<u>1,193,031</u>	<u>617,625</u>	<u>5,903,041</u>
Total Liabilities and Fund Balances	<u>\$ 4,580,657</u>	<u>\$ 1,193,031</u>	<u>\$ 618,291</u>	<u>\$ 6,391,979</u>

The accompanying notes are an integral part of this statement.

COAST UNIFIED SCHOOL DISTRICT

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

Total fund balances - governmental funds \$ 5,903,041

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 at historical cost	\$ 42,481,517
Accumulated depreciation	<u>9,608,910</u>

Net 32,872,607

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. (1,729,944)

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:

Capital lease payable	\$ 48,535
General obligation bonds payable	14,809,510
Compensated absences payable	87,757
Post employment benefits	<u>17,208</u>

Total (14,963,010)

Total net assets - governmental activities \$ 22,082,694

The accompanying notes are an integral part of this statement.

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

	General Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ (39,422)	\$ -	\$ -	\$ (39,422)
Local Sources	8,406,406	-	-	8,406,406
Federal Revenue	621,660	-	211,390	833,050
Other State Revenue	1,473,454	4,283	62,028	1,539,765
Other Local Revenue	401,722	930,737	168,583	1,501,042
Total Revenues	<u>10,863,820</u>	<u>935,020</u>	<u>442,001</u>	<u>12,240,841</u>
Expenditures:				
Instruction	5,850,943	-	-	5,850,943
Instruction - Related Services	682,856	-	-	682,856
Pupil Services	950,260	-	378,631	1,328,891
Ancillary Services	127,655	-	-	127,655
General Administration	1,064,774	-	2,179	1,066,953
Plant Services	1,298,550	-	90,616	1,389,166
Other Outgo	519,580	-	-	519,580
Debt Service:				
Principal	14,992	259,608	-	274,600
Interest	2,760	590,903	-	593,663
Total Expenditures	<u>10,512,370</u>	<u>850,511</u>	<u>471,426</u>	<u>11,834,307</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>351,450</u>	<u>84,509</u>	<u>(29,425)</u>	<u>406,534</u>
Other Financing Sources (Uses):				
Transfers In	17,753	-	136,000	153,753
Transfers Out	(136,000)	-	(17,753)	(153,753)
Total Other Financing Sources (Uses)	<u>(118,247)</u>	<u>-</u>	<u>118,247</u>	<u>-</u>
Net Change in Fund Balances	233,203	84,509	88,822	406,534
Fund Balances, July 1	3,859,182	1,108,522	528,803	5,496,507
Fund Balances, June 30	<u>\$ 4,092,385</u>	<u>\$ 1,193,031</u>	<u>\$ 617,625</u>	<u>\$ 5,903,041</u>

The accompanying notes are an integral part of this statement.

COAST UNIFIED SCHOOL DISTRICT

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

Total net change in fund balances - governmental funds	\$ 406,534
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of \$137,729 exceeds depreciation expense (\$1,271,736) in the period.	(1,134,007)
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. Payment of bond principal of \$259,608 and capital lease principal of \$14,992.	274,600
In governmental funds, interest on long-term debt is recognized in the period that 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:	(210,486)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned was more than the amounts used by \$16,341.	(16,341)
In the statement activities, post employment benefits are measured by the amounts earned during the fiscal year. In governmental funds, expenditures of these items are measured by the amount of financial resources used (essentially the amount paid). This fiscal year, post employment benefits used was more than the amounts earned \$8,603.	<u>8,603</u>
Changes in net assets - governmental activities	<u>\$ (671,097)</u>

The accompanying notes are an integral part of this statement.

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

	Agency Funds
	Student Body Funds
ASSETS:	
Cash on Hand and in Banks	\$ 140,390
Total Assets	<u>140,390</u>
LIABILITIES:	
Due to Student Groups	140,390
Total Liabilities	<u>140,390</u>
NET ASSETS:	
Total Net Assets	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

COAST UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with 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 as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

B. Reporting Entity

The reporting entity is the Coast Unified School District. There are no component units included in this report which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. Government-wide statements differ from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after fiscal year end.

COAST UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds, as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The Bond Interest and Redemption Fund are used to account for the accumulation of resources for, and the repayment of the District's bonds, interest, and related costs.

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains two nonmajor special revenue funds:

1. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeterias.
2. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of the District's property.

COAST UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Capital Projects Funds are used to account for the acquisition and/or construction of governmental capital assets. The District maintains two nonmajor capital projects funds:

1. The Capital Facilities Fund is used to account for resources received from developer impact fees assess under the provisions of the California Environmental Quality Act (CEQA).
2. The Special Reserve Fund is used to set aside funds for capital projects.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains three agency funds for the student body accounts. The funds are used to account for the raising and expending money to promote the general welfare, morale, and educational experience of the student body.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District Superintendent during the fiscal year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the fiscal year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. 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 at June 30.

H. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 45

For the fiscal year ended June 30, 2010, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The Statement is effective for periods beginning after December 15, 2008 for a Phase III government. This Statement establishes standards for measurement, recognition, and display of *other post employment benefits* (OPEB) expenses/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. Implementation of Statement No. 45, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2010.

Governmental Accounting Standards Board Statement No. 51

For the fiscal year ended June 30, 2010, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." The Statement is effective for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets by reducing reporting inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. Implementation of the GASB Statement No. 51, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2010.

COAST UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 53

For the fiscal year ended June 30, 2010, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." The Statement is effective for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to report derivative instruments, with exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value. Implementation of the GASB Statement No. 53, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2010.

Governmental Accounting Standards Board Statement No. 57

For the fiscal year ended June 30, 2010, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." The Statement is effective December 2009. This Statement amends Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions." The requirements in the Statement allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting. As a result of this change, the cost of compliance with the requirements of Statement No. 45 for eligible agent employers may be reduced while achieving an appropriate balance between the goals of reliable measurement of reported information and reasonable cost. Implementation of the GASB Statement No. 57, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2010.

Governmental Accounting Standards Board Statement No. 58

For the fiscal year ended June 30, 2010, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies." The Statement is effective for periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. Implementation of the GASB Statement No. 58, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2010.

I. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Luis Obispo 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 fair value. Interest earned is deposited quarterly into participating funds. 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 the San Luis Obispo County Treasury was not available.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables.

COAST UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

3. Inventories and Prepaid Items

Inventory is recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at the lower of cost (first-in, first out) or market and consists 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 expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the period purchased.

4. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed capital assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the capital assets or materially extend the capital assets' lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives.

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression system	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and tools	Shop and maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

COAST UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

5. 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 that cash received on specific projects and programs exceed qualified expenditures.

6. Compensated Absences

All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated employee 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.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

8. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriate for expenditure or amounts legally segregated for a specific future use. The Reserve for Revolving Fund, Reserve for Prepaid Items, Reserved for Legally Restricted Balances and the Reserve for Stores Inventory reflect the portions of the fund balances represented by revolving fund cash, and prepaid items, legally restricted balances, 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.

9. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, State apportionments, and other local sources.

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

COAST UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2010, consisted of the following:

Cash in banks	\$ 151,390
Cash and investments with the County Treasurer	<u>5,831,525</u>
Total cash and investments	<u>\$ 5,982,915</u>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash in county treasury, statement of net assets	\$ 5,831,525
Cash in revolving fund, statement of net assets	10,000
Cash in banks, statement of net assets	1,000
Cash on hand and in banks, statement of fiduciary net assets	<u>140,390</u>
Total cash and investments	<u>\$ 5,982,915</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Luis Obispo County Treasury as part of the common investment pool (\$5,831,525 as of June 30, 2010). The fair value of this pool as of that date, as provided by the plan sponsor, was \$5,831,525. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, State registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks (\$141,390 as of June 30, 2010) and in the revolving fund (\$10,000 as of June 30, 2010) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of San Luis Obispo. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

COAST UNIFIED SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
San Luis Obispo County Investment Pool	\$ 5,831,525	\$ 5,831,525	\$ -	\$ -	\$ -
Total	\$ 5,831,525	\$ 5,831,525	\$ -	\$ -	\$ -

Disclosures Relating to Credit Risk

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

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	Aa	Not Rated
San Luis Obispo County Investment Pool	\$5,831,525	N/A	\$ -	\$ -	\$ -	\$5,831,525
Total	\$5,831,525		\$ -	\$ -	\$ -	\$5,831,525

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as San Luis Obispo County Investment Pool).

COAST UNIFIED SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 3 - RECEIVABLES

Receivables at June 30, 2010, consist of the following:

	<u>General Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Other Governmental Funds</u>
Federal Government:			
Federal programs	\$ 275,375	\$ -	\$ 3,586
Total federal government	<u>275,375</u>		<u>3,586</u>
State Government:			
Categorical aid programs	152,224		
Lottery	<u>23,772</u>		
Total state government	<u>175,996</u>		
Local Sources:			
R.O.P.	51,806		
Developer fees			19,068
Sales			710
Miscellaneous	<u>19,879</u>		<u>352</u>
Total local sources	<u>71,685</u>		<u>20,130</u>
Total receivables	<u>\$ 523,056</u>	<u>\$ -</u>	<u>\$ 23,716</u>

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. 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/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 among governmental funds or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2009-2010 fiscal year are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund:		
General Fund	\$ 17,753	\$ 136,000
Nonmajor Governmental Funds:		
Cafeteria Fund	100,000	
Special Reserve Fund	<u>36,000</u>	<u>17,753</u>
Totals	<u>\$ 153,753</u>	<u>\$ 153,753</u>

COAST UNIFIED SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the fiscal year ended June 30, 2010, is shown below:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital assets, not being depreciated:				
Land	\$ 923,886	\$ -	\$ -	\$ 923,886
Total capital assets, not being depreciated	<u>\$ 923,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 923,886</u>
Capital assets, being depreciated:				
Buildings and improvements	\$40,050,031	\$ 77,711	\$ -	\$ 40,127,742
Equipment	<u>1,458,126</u>	<u>60,018</u>	<u>88,255</u>	<u>1,429,889</u>
Total capital assets, being depreciated	41,508,157	137,729	88,255	41,557,631
Less accumulated depreciation	<u>8,425,429</u>	<u>1,271,736</u>	<u>88,255</u>	<u>9,608,910</u>
Total capital assets, being depreciated, net	<u>\$33,082,728</u>	<u>\$(1,134,007)</u>	<u>\$ -</u>	<u>\$ 31,948,721</u>
Net capital assets	<u>\$34,006,614</u>	<u>\$(1,134,007)</u>	<u>\$ -</u>	<u>\$ 32,872,607</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Unallocated	<u>\$ 1,271,736</u>
Total depreciation expense	<u>\$ 1,271,736</u>

NOTE 6- POST EMPLOYMENT BENEFITS

The District provided two employees an early retirement incentive during the fiscal year.

The approximate accumulated future liability for the District at June 30, 2010, amounts to \$17,208. This amount was calculated based upon the number of retirees receiving benefits multiplied by the yearly District's payment per employee in effect at June 30, 2010, multiplied by the number of years of payments remaining.

NOTE 7 – CAPITAL LEASE

The District leases equipment valued at \$138,121, under agreements which provides for title to pass upon expiration of the lease period. Future minimum payments are as follows:

<u>Fiscal</u> <u>Year Ending</u> <u>June 30,</u>	<u>Lease Payment</u>
2011	\$ 17,752
2012	17,752
2013	<u>17,752</u>
	53,256
Less amount representing interest	<u>(4,721)</u>
Present value of net minimum lease payments	<u>\$ 48,535</u>

COAST UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 – BONDED DEBT

The outstanding general obligation bonded debt of the Coast Unified School District at June 30, 2010, is:

Date Of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2009	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2010
1998	3.9%-5.7%	2023	\$ 3,599,215	\$ 3,124,215	\$ -	\$ 39,608	\$ 3,084,607
2002	2.0%-9.25%	2027	8,981,051	8,256,051		210,000	8,046,051
2003	2.0%-8.25%	2042	3,718,852	3,688,852		10,000	3,678,852
			<u>\$16,299,118</u>	<u>\$15,069,118</u>	<u>\$ -</u>	<u>\$ 259,608</u>	<u>\$ 14,809,510</u>

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 289,352	\$ 595,624	\$ 884,976
2012	323,710	600,499	924,209
2013	362,760	603,928	966,688
2014	458,436	554,471	1,012,907
2015	504,725	551,656	1,056,381
2016-2020	3,775,625	2,295,270	6,070,895
2021-2025	5,557,501	1,478,178	7,035,679
2026-2030	1,172,304	5,096,268	6,268,572
2031-2035	1,281,816	5,606,982	6,888,798
2036-2040	838,165	4,503,152	5,341,317
2041-2042	245,116	4,249,884	4,495,000
Totals	<u>\$ 14,809,510</u>	<u>\$ 26,135,912</u>	<u>\$40,945,422</u>

NOTE 9 – LONG-TERM DEBT – SCHEDULE OF CHANGES

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

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due within one year
Compensated absences	\$ 71,416	\$ 16,341	\$ -	\$ 87,757	\$ -
Capital lease payable	63,527		14,992	48,535	15,427
Bonds payable	15,069,118		259,608	14,809,510	289,352
Post employment benefits	25,811		8,603	17,208	8,604
Totals	<u>\$ 15,229,872</u>	<u>\$ 16,341</u>	<u>\$ 283,203</u>	<u>\$ 14,963,010</u>	<u>\$ 313,383</u>

NOTE 10 - JOINT VENTURES

The Coast Unified School District participates in three joint ventures under the joint powers agreements (JPAs): the Self-Insurance Program for Employees (S.I.P.E), the Self-Insured Schools of California Group II (S.I.S.C. II), and the Santa Lucia Regional Occupational Program (S.L.R.O.P.). The relationship between the Coast Unified School District and the JPAs are such that none of the JPAs are a component unit of the Coast Unified School District for financial reporting purposes.

The JPAs are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. Budgets are not subject to any approval other than of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

COAST UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 10 - JOINT VENTURES (Continued)

Self-Insurance Program for Employees (S.I.P.E.)

S.I.P.E. was established to provide the services and other items necessary and appropriate for the development, operation, and maintenance of a self-insurance system for workers' compensation claims against the public educational agencies who are members thereof. The participants consist of the Office of the County Superintendent of Schools, school districts, and a community college. Each participant may appoint one representative to the governing board. The Governing Board is responsible for establishing premium rates and making budgeting decisions.

The Self-Insured Schools of California II (S.I.S.C. II)

SISC II arranges for and provides property and liability insurance for its member school districts. The Coast Unified School District pays a premium commensurate with the level of coverage requested.

Santa Lucia Regional Occupational Program (S.L.R.O.P.)

The Santa Lucia Regional Occupational Program was established in San Luis Obispo, California on July 1, 1982, under a Joint Powers Agreement between various county school districts. Participating districts receive ADA monies directly, and in turn transfer these funds to the Program. The Districts then submit claims for expenditures to the Program for payment. Administrative expenses are allocated based on ADA.

Condensed financial information for the above JPA's for the fiscal year ended June 30, 2010, was not available as of the audit report date.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

NOTE 12 – EMPLOYEES' RETIREMENT SYSTEMS

State Teachers' Retirement System (STRS)

Plan Description

The Coast Unified School 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 8.0% of their salary and the Coast Unified School 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 2009-2010, was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statutes. The Coast Unified School District's contributions to STRS for the fiscal years ending June 30, 2010, 2009, and 2008, were \$485,796, \$399,038, and \$485,575, respectively, and equal 100% of the required contributions for each fiscal year.

COAST UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 12 – EMPLOYEES' RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

The Coast Unified School 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 7.0% of their salary (7% of monthly salary over \$133.33) if the member participates in Social Security), and the Coast Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determine the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2009-2010, was 9.709% of annual payroll. The contribution requirements of the plan members are established by State statutes. The Coast Unified School District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2009, and 2008, were \$189,566, \$171,187, and \$153,405, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 13 – NET ASSETS

The government-wide and fiduciary funds financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted, and unrestricted.

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the District, not restricted for any project or other purpose.

NOTE 14 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
<u>Major Fund</u>	
Bond Interest and Redemption Fund	
Debt Service	\$ 45,841
<u>Nonmajor Fund</u>	
Cafeteria Fund	
Services and other Operating Expenditures	\$ 186
Capital Outlay	\$ 6,792

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REQUIRED SUPPLEMENTARY INFORMATION

COAST UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ (12,234)	\$ (39,412)	\$ (39,422)	\$ (10)
Local Sources	8,349,053	8,406,408	8,406,406	(2)
Total Revenue Limit	8,336,819	8,366,996	8,366,984	(12)
Federal	635,710	621,696	621,660	(36)
Other State	1,374,948	1,441,283	1,473,454	32,171
Other Local	351,696	457,783	401,722	(56,061)
Total Revenues	10,699,173	10,887,758	10,863,820	(23,938)
Expenditures:				
Current:				
Certificated Salaries	4,663,280	4,738,374	4,733,739	4,635
Classified Salaries	1,891,174	1,845,077	1,840,017	5,060
Employee Benefits	1,924,893	1,874,755	1,872,658	2,097
Books And Supplies	511,846	787,432	473,334	314,098
Services And Other Operating Expenditures	1,068,886	1,252,906	991,194	261,712
Other Outgo	409,005	533,456	519,580	13,876
Capital Outlay	8,200	24,123	64,096	(39,973)
Debt Service:				
Principal	14,722	14,722	14,992	270
Interest And Fiscal Charges	3,030	3,030	2,760	(270)
Total Expenditures	10,495,036	11,073,875	10,512,370	561,505
Excess (Deficiency) of Revenues Over (Under) Expenditures	204,137	(186,117)	351,450	537,567
Other Financing Sources (Uses):				
Transfers In	17,753	17,753	17,753	-
Transfers Out	(136,000)	(136,000)	(136,000)	-
Other Sources	-	(12,415)	-	12,415
Total Other Financing Sources (Uses)	(118,247)	(130,662)	(118,247)	12,415
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	85,890	(316,779)	233,203	549,982
Fund Balance, July 1	3,859,182	3,859,182	3,859,182	-
Fund Balance, June 30	\$ 3,945,072	\$ 3,542,403	\$ 4,092,385	\$ 549,982

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SUPPLEMENTARY INFORMATION

COAST UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2010

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:			
Cash in County Treasury	\$ 143,615	\$ 447,278	\$ 590,893
Cash on Hand and in Banks	1,000	-	1,000
Accounts Receivable	4,648	19,068	23,716
Stores Inventories	2,682	-	2,682
Total Assets	<u>\$ 151,945</u>	<u>\$ 466,346</u>	<u>\$ 618,291</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 666	\$ -	\$ 666
Total Liabilities	<u>666</u>	<u>-</u>	<u>666</u>
Fund Balances:			
Reserved Fund Balances:			
Reserve for Stores Inventories	2,682	-	2,682
Unreserved, reported in nonmajor:			
Special Revenue Funds	148,597	-	148,597
Capital Projects Funds	-	466,346	466,346
Total Fund Balances	<u>151,279</u>	<u>466,346</u>	<u>617,625</u>
Total Liabilities and Fund Balances	<u>\$ 151,945</u>	<u>\$ 466,346</u>	<u>\$ 618,291</u>

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

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Federal Revenue	\$ 211,390	\$ -	\$ 211,390
Other State Revenue	62,028	-	62,028
Other Local Revenue	79,109	89,474	168,583
Total Revenues	<u>352,527</u>	<u>89,474</u>	<u>442,001</u>
Expenditures:			
Pupil Services	378,631	-	378,631
General Administration	-	2,179	2,179
Plant Services	35,872	54,744	90,616
Total Expenditures	<u>414,503</u>	<u>56,923</u>	<u>471,426</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(61,976)</u>	<u>32,551</u>	<u>(29,425)</u>
Other Financing Sources (Uses):			
Transfers In	100,000	36,000	136,000
Transfers Out	-	(17,753)	(17,753)
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>18,247</u>	<u>118,247</u>
Net Change in Fund Balances	38,024	50,798	88,822
Fund Balances, July 1	113,255	415,548	528,803
Fund Balances, June 30	<u>\$ 151,279</u>	<u>\$ 466,346</u>	<u>\$ 617,625</u>

COAST UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2010

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds
ASSETS:			
Cash in County Treasury	\$ 32,808	\$ 110,807	\$ 143,615
Cash on Hand and in Banks	1,000	-	1,000
Accounts Receivable	4,648	-	4,648
Stores Inventories	2,682	-	2,682
Total Assets	<u>\$ 41,138</u>	<u>\$ 110,807</u>	<u>\$ 151,945</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 666	\$ -	\$ 666
Total Liabilities	<u>666</u>	<u>-</u>	<u>666</u>
Fund Balances:			
Reserved Fund Balances:			
Reserve for Stores Inventories	2,682	-	2,682
Unreserved, reported in nonmajor:			
Special Revenue Funds	37,790	110,807	148,597
Total Fund Balances	<u>40,472</u>	<u>110,807</u>	<u>151,279</u>
Total Liabilities and Fund Balances	<u>\$ 41,138</u>	<u>\$ 110,807</u>	<u>\$ 151,945</u>

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

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Federal Revenue	\$ 211,390	\$ -	\$ 211,390
Other State Revenue	18,754	43,274	62,028
Other Local Revenue	78,356	753	79,109
Total Revenues	<u>308,500</u>	<u>44,027</u>	<u>352,527</u>
Expenditures:			
Pupil Services	378,631	-	378,631
Plant Services	21,472	14,400	35,872
Total Expenditures	<u>400,103</u>	<u>14,400</u>	<u>414,503</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(91,603)</u>	<u>29,627</u>	<u>(61,976)</u>
Other Financing Sources (Uses):			
Transfers In	100,000	-	100,000
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Net Change in Fund Balances	8,397	29,627	38,024
Fund Balances, July 1	32,075	81,180	113,255
Fund Balances, June 30	<u>\$ 40,472</u>	<u>\$ 110,807</u>	<u>\$ 151,279</u>

COAST UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2010

	Capital Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds
ASSETS:			
Cash in County Treasury	\$ 274,885	\$ 172,393	\$ 447,278
Accounts Receivable	19,068	-	19,068
Total Assets	<u>\$ 293,953</u>	<u>\$ 172,393</u>	<u>\$ 466,346</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:			
Unreserved, reported in nonmajor:			
Capital Projects Funds	293,953	172,393	466,346
Total Fund Balances	<u>293,953</u>	<u>172,393</u>	<u>466,346</u>
Total Liabilities and Fund Balances	<u>\$ 293,953</u>	<u>\$ 172,393</u>	<u>\$ 466,346</u>

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

	Capital Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds
Revenues:			
Other Local Revenue	\$ 88,137	\$ 1,337	\$ 89,474
Total Revenues	<u>88,137</u>	<u>1,337</u>	<u>89,474</u>
Expenditures:			
General Administration	2,179	-	2,179
Plant Services	54,744	-	54,744
Total Expenditures	<u>56,923</u>	<u>-</u>	<u>56,923</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>31,214</u>	<u>1,337</u>	<u>32,551</u>
Other Financing Sources (Uses):			
Transfers In	-	36,000	36,000
Transfers Out	-	(17,753)	(17,753)
Total Other Financing Sources (Uses)	<u>-</u>	<u>18,247</u>	<u>18,247</u>
Net Change in Fund Balances	31,214	19,584	50,798
Fund Balances, July 1	262,739	152,809	415,548
Fund Balances, June 30	<u>\$ 293,953</u>	<u>\$ 172,393</u>	<u>\$ 466,346</u>

COAST UNIFIED SCHOOL DISTRICT

CAFETERIA FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal	\$ 211,390	\$ 211,390	\$ -
Other State	18,754	18,754	-
Other Local	78,330	78,356	26
Total Revenues	<u>308,474</u>	<u>308,500</u>	<u>26</u>
Expenditures:			
Current:			
Classified Salaries	188,529	188,527	2
Employee Benefits	52,595	52,586	9
Books And Supplies	152,982	146,189	6,793
Services And Other Operating Expenditures	5,823	6,009	(186)
Capital Outlay	-	6,792	(6,792)
Total Expenditures	<u>399,929</u>	<u>400,103</u>	<u>(174)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(91,455)</u>	<u>(91,603)</u>	<u>(148)</u>
Other Financing Sources (Uses):			
Transfers In	100,000	100,000	-
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	8,545	8,397	(148)
Fund Balance, July 1	32,075	32,075	-
Fund Balance, June 30	<u>\$ 40,620</u>	<u>\$ 40,472</u>	<u>\$ (148)</u>

COAST UNIFIED SCHOOL DISTRICT

DEFERRED MAINTENANCE FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State	\$ 43,274	\$ 43,274	\$ -
Other Local	753	753	-
Total Revenues	<u>44,027</u>	<u>44,027</u>	<u>-</u>
Expenditures:			
Capital Outlay	14,400	14,400	-
Total Expenditures	<u>14,400</u>	<u>14,400</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>29,627</u>	<u>29,627</u>	<u>-</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	29,627	29,627	-
Fund Balance, July 1	81,180	81,180	-
Fund Balance, June 30	<u>\$ 110,807</u>	<u>\$ 110,807</u>	<u>\$ -</u>

COAST UNIFIED SCHOOL DISTRICT

CAPITAL FACILITIES FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local	\$ 88,137	\$ 88,137	\$ -
Total Revenues	<u>88,137</u>	<u>88,137</u>	<u>-</u>
Expenditures:			
Current:			
Services And Other Operating Expenditures	2,179	2,179	-
Capital Outlay	54,744	54,744	-
Total Expenditures	<u>56,923</u>	<u>56,923</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>31,214</u>	<u>31,214</u>	<u>-</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	31,214	31,214	-
Fund Balance, July 1	262,739	262,739	-
Fund Balance, June 30	<u>\$ 293,953</u>	<u>\$ 293,953</u>	<u>\$ -</u>

COAST UNIFIED SCHOOL DISTRICT
SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local	\$ 1,337	\$ 1,337	\$ -
Total Revenues	<u>1,337</u>	<u>1,337</u>	<u>-</u>
Expenditures:			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,337</u>	<u>1,337</u>	<u>-</u>
Other Financing Sources (Uses):			
Transfers In	36,000	36,000	-
Transfers Out	(17,753)	(17,753)	-
Total Other Financing Sources (Uses)	<u>18,247</u>	<u>18,247</u>	<u>-</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	<u>19,584</u>	<u>19,584</u>	<u>-</u>
Fund Balance, July 1	152,809	152,809	-
Fund Balance, June 30	<u>\$ 172,393</u>	<u>\$ 172,393</u>	<u>\$ -</u>

COAST UNIFIED SCHOOL DISTRICT

ORGANIZATION
JUNE 30, 2010

The Coast Unified School District operates one high school, one continuation school, one middle school, one elementary school, one community day school, and one adult school. There were no changes in the boundaries of the District during the current fiscal year.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Robert Gong	President	2012
Dianne Brooke	Clerk	2010
Victoria Dandurand	Member	2012
Del Clegg	Member	2010
Cindy Fratto	Member	2012

ADMINISTRATION

Chris Adams
Superintendent

Karl Dearie
Assistant Superintendent/Principal

COAST UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary		
Kindergarten	54.98	55.24
Grades one through three	151.83	153.19
Grades four through six	159.47	159.87
Grades seven and eight	<u>107.86</u>	<u>108.07</u>
Elementary totals	<u>474.14</u>	<u>476.37</u>
Secondary		
Regular classes	220.12	218.75
Continuation education	13.63	13.07
Community day school	<u>8.81</u>	<u>8.77</u>
Secondary totals	<u>242.56</u>	<u>240.59</u>
ADA totals	<u>716.70</u>	<u>716.96</u>

Supplemental Instructional Hours

Elementary	*
Secondary	*

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.

* ADA is no longer collected as a result of flexibility provisions of SBX3 4 (Chapter 12, Statutes of 2009), currently in effect for a five-year period from 2008-09 through 2012-13.

COAST UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Grade Level	1982-83 Actual Minutes	Revised 1982-83 Minutes Requirement	1986-87 Minutes Requirement	Revised 1986-87 Minutes Requirement	2009-10 Actual Minutes	Number of days Traditional Calendar	Status
Kindergarten	31,080	30,217	36,000	35,000	39,600	180	In compliance
Grade 1	50,120	48,728	50,400	49,000	51,690	180	In compliance
Grade 2	50,120	48,728	50,400	49,000	51,690	180	In compliance
Grade 3	50,120	48,728	50,400	49,000	53,490	180	In compliance
Grade 4	52,760	51,294	54,000	52,500	54,830	180	In compliance
Grade 5	52,760	51,294	54,000	52,500	56,500	180	In compliance
Grade 6	52,760	51,294	54,000	52,500	60,355	180	In compliance
Grade 7	52,760	51,294	54,000	52,500	60,355	180	In compliance
Grade 8	52,760	51,294	54,000	52,500	60,355	180	In compliance
Grade 9	58,080	56,467	64,800	63,000	66,042	180	In compliance
Grade 10	58,080	56,467	64,800	63,000	66,042	180	In compliance
Grade 11	58,080	56,467	64,800	63,000	66,042	180	In compliance
Grade 12	58,080	56,467	64,800	63,000	66,042	180	In compliance

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 minutes requirement, whichever is greater under the provision of Education Code Section 46201.

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 46201 through 46206.

COAST UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>General Fund</u>	(Budgeted) <u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues and other financial sources	\$ <u>10,483,391</u>	\$ <u>10,881,573</u>	\$ <u>11,039,774</u>	\$ <u>10,519,867</u>
Expenditures	11,061,811	10,512,370	10,862,179	10,257,617
Other uses and transfers out	<u>100,000</u>	<u>136,000</u>	<u>215,143</u>	<u>350,761</u>
Total outgo	<u>11,161,811</u>	<u>10,648,370</u>	<u>11,077,322</u>	<u>10,608,378</u>
Change in fund balance	<u>(678,420)</u>	<u>233,203</u>	<u>(37,548)</u>	<u>(88,511)</u>
Ending fund balance	\$ <u>3,413,965</u>	\$ <u>4,092,385</u>	\$ <u>3,859,182</u>	\$ <u>3,896,730</u>
Available reserves	\$ <u>3,376,219</u>	\$ <u>3,857,167</u>	\$ <u>3,621,070</u>	\$ <u>3,607,308</u>
Designated for economic uncertainties	\$ <u>829,945</u>	\$ <u>851,870</u>	\$ <u>886,186</u>	\$ <u>848,670</u>
Undesignated fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Available reserves as a percentage of total outgo	30.25%	36.22%	32.69%	34.00%
Total long-term debt	\$ 14,649,627	\$ 14,963,010	\$ 15,229,872	\$ 15,538,730
Average daily attendance at P-2	717	717	761	787

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 \$195,655 over the past two fiscal years. The fiscal year 2010-11 budget projects a decrease of \$678,420. For a District this size, the State recommends available reserves of at least 4 percent of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in one of the past three fiscal years, and the District anticipates incurring an operating deficit in the 2010-11 fiscal year. Total long-term debt has decreased by \$575,720 over the past two fiscal years.

Average daily attendance has decreased by 70 over the past two fiscal years. No change in ADA is anticipated during the 2010-11 fiscal year.

COAST UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Passed through the California			
Department of Education:			
Title I	84.010	3010	\$ 96,130
ARRA Title I	84.389	3011	43,594
Special education - preschool	84.173	3315	2,555
Safe and drug-free schools and communities	84.186	3710	2,176
Special education	84.027	3310	176,772
Vocational education	84.048	3550	(5,899)
Title III	84.365	4201	3,515
Improving teacher quality	84.367	4035	25,975
Enhancing education through technology	84.318	4045	847
Limited english	84.365	4203	26,100
ARRA Fiscal stabilization	84.394	3200	150,022
ARRA Special education	84.391	3313	127,372
ARRA Special education - preschool	84.392	3319	3,601
Special education - preschool	84.027 A	3320	4,711
ARRA Special education - preschool	84.391	3324	8,901
Total U.S. Department of Education			<u>666,372</u>
U.S. Department of Agriculture:			
Passed through the California			
Department of Education:			
National school lunch	10.555	5310	152,419
National school breakfast	10.553	5310	52,179
ARRA equipment	10.579	5315	6,792
Total U.S. Department of Agriculture			<u>211,390</u>
Health and Human Services:			
Medi-Cal administrative activities	93.778	0000	20,913
Total Health and Human Services			<u>20,913</u>
Total expenditures of federal awards			<u>\$ 898,675</u>
Reconciliation of total expenditures of federal awards to total federal revenues (page 18)			
Expenditures of federal awards			\$ 898,675
Fiscal Stabilization revenue reported as revenue in prior fiscal year but spent in current fiscal year			<u>(65,625)</u>
Total federal revenues (page 18)			<u>\$ 833,050</u>

The accompanying notes are an integral part of this schedule.

COAST UNIFIED SCHOOL DISTRICT

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Coast 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 basic financial statements.

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COAST UNIFIED SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 JUNE 30, 2010

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>
June 30, 2010 annual financial and budget report fund balances	<u>\$ 4,092,385</u>	<u>\$ 40,472</u>	<u>\$ 110,807</u>
June 30, 2010 audited financial statements fund balances	<u><u>\$ 4,092,385</u></u>	<u><u>\$ 40,472</u></u>	<u><u>\$ 110,807</u></u>

	<u>Long-Term Debt</u>
June 30, 2010 annual financial and budget report total liabilities	\$ 14,961,687
Overstatement of capital lease	(270)
Understatement of other post employment benefits	<u>1,593</u>
June 30, 2010 audited financial statements long-term debt total liabilities	<u><u>\$ 14,963,010</u></u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the long-term debt as reported on the budget and annual financial report to the audited financial statements.

Special Reserve Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
<u>\$ 172,393</u>	<u>\$ 293,953</u>	<u>\$ 1,193,031</u>
<u><u>\$ 172,393</u></u>	<u><u>\$ 293,953</u></u>	<u><u>\$ 1,193,031</u></u>

COAST UNIFIED SCHOOL DISTRICT

NOTE TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 – EARLY RETIREMENT INCENTIVE PROGRAM

The District has adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of formal action taken by the District.

The District has determined that the formal action taken would result in a net savings to the District and the retention of certificated employees who are credentialed to teach in teacher shortage disciplines.

The District has also demonstrated and certified such results to the County Office of Education, as required, pursuant to Education Code Section 22714 (b)(1). The District's certification reconciles to the information confirmed in the audit.

Retiree Information

Two employees have retired in exchange for the additional two years of service credit during the fiscal year.

<u>Position Vacated</u>	<u>Replacement Employee Age</u>	<u>Employee Service Credit</u>	<u>Retired Employee</u>		<u>Replacement Employee</u>	
			<u>Salary</u>	<u>Benefits</u>	<u>Salary</u>	<u>Benefits</u>
Teacher	58.0	31	\$ 88,736	\$ 20,549	\$ N/A	\$ N/A
Teacher	62.3	34	\$ 79,085	\$ 19,292	\$ 56,360	\$ 16,331

Additional Costs

As a result of this early retirement incentive program, the District expects to incur \$97,905 in additional costs. The breakdown in additional costs is presented below:

Retirement Costs with Interest	\$ 97,905
Post Retirement Health Benefit Costs (two years)	_____
Total Additional Costs	<u>\$ 97,905</u>

It is anticipated that the annual savings of this program for the two retirees will be \$134,971.



MOSS, LEVY & HARTZHEIM LLP

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

Board of Trustees
Coast Unified School District
Cambria, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coast Unified School District (the District) as of and for the fiscal year ended June 30, 2010, which collectively comprise the Coast Unified School District's basic financial statements and have issued our report thereon dated December 14, 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 the 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as finding 2010-1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not audit Coast Unified School District's responses and accordingly, we express no opinion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 that are required to be reported under *Government Auditing Standards*.

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

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

December 14, 2010



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Coast Unified School District
Cambria, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coast Unified School District as of and for the fiscal year ended June 30, 2010, which collectively comprise the Coast Unified School District's basic financial statements and have issued our report thereon dated December 14, 2010. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Education Audit Appeals Panel's Standards and Procedures for Audits of California K-12 Local Educational Agencies. 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:

Table with 3 columns: Description, Procedures in Panel's Audit Guide, and Procedures Performed. Rows include items like Attendance reporting, Kindergarten continuance, Independent study, etc.

Description	Procedures in Panel's Audit Guide	Procedures Performed
Contemporaneous records of attendance, for charter schools	1	Not applicable
Mode of instruction, for charter schools	1	Not applicable
Nonclassroom-based instruction independent study, for charter schools	15	Not applicable
Determination of funding for nonclassroom- based instruction, for charter schools	3	Not applicable
Annual instructional minutes – classroom based, for charter schools	3	Not applicable

We did not perform testing for Independent Study because the ADA was under the level which requires testing.

Based on our audit, we found that, for the items tested, the Coast Unified School District complied with the State laws and regulations referred to above. Further, based on our examination, for the items not tested, nothing came to our attention to indicate that the Coast Unified School District had not complied with the State laws and regulations.

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

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

December 14, 2010



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

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**AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Board of Trustees
Coast Unified School District
Cambria, California

Compliance

We have audited the compliance of the Coast 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 fiscal year ended June 30, 2010. Coast Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit 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 the Coast Unified School District's management. Our responsibility is to express an opinion on the Coast 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 the Coast 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 legal determination on the Coast Unified School District's compliance with those requirements.

In our opinion, the Coast 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 fiscal year ended June 30, 2010.

Internal Control Over Compliance

The management of the Coast Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Coast 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, 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 Coast Unified School District's internal control over compliance.

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

This report is intended solely for the information and use of the audit committee, management, State Controller's Office, Department of Finance, Department of Education, 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.

MOSS, LEVY & HARTHZEIM LLP

Moss, Levy & Hartzheim LLP

December 14, 2010

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FINDINGS AND RECOMMENDATIONS SECTION

COAST UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2010

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unqualified

Internal control over financial reporting:
 Material weaknesses identified? _____ Yes X No
 Significant deficiencies identified not considered
 to be material weaknesses? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weaknesses identified? _____ Yes X No
 Significant deficiencies identified 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 Circular A-133,
 Section .510 (a) _____ Yes X No

Identification of major programs

CFDA Number (s)

84.394
84.027, 84.027A, 84.173, 84.391, 84.392

Name of Federal Program or Cluster

ARRA Fiscal Stabilization
Special Education

Dollar threshold used to distinguish between Type A
 and Type B programs:

\$300,000

Auditee qualified as low-risk auditee: _____ Yes X No

State Awards

Internal control over state programs:
 Material weaknesses identified? _____ Yes X No
 Significant deficiencies identified not considered
 to be material weaknesses? _____ Yes X None reported

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

COAST UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

Section II – Financial Statements Findings

FINDING 2010-01
ASSOCIATED STUDY BODY – CAMBRIA GRAMMER SCHOOL
30000

FINDING:

Of the ten associated student body disbursement transactions tested, there were four instances where the school did not retain adequate backup to support the expenditure. In addition, there was one instance where the check written that did not have two check signers.

RECOMMENDATION:

The District should continue to improve internal controls in the collection and disbursement of student body funds. All disbursement transactions should be supported with invoices, purchase orders, approval for payment forms or any other documentation which justifies payment. This will mitigate and possibly prevent a misappropriation of assets to go undetected.

DISTRICT RESPONSE:

The District will provide more training to the ASB clerks and will perform internal audits during the school year.

COAST UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

Section III - Federal Award Findings and Questioned Costs

There were no Federal award findings and questioned costs.

COAST UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

Section IV - State Award Findings and Questioned Costs

There were no state award findings and questioned costs.

COAST UNIFIED SCHOOL DISTRICT

SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

Section II – Financial Statements Findings

There were no financial statements findings.

COAST UNIFIED SCHOOL DISTRICT

**SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

Section III - Federal Award Findings and Questioned Costs

There were no Federal award findings and questioned costs.

COAST UNIFIED SCHOOL DISTRICT

SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

Section IV - State Award Findings and Questioned Costs

There were not State award findings and questioned costs.

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Jones Hall, A Professional Law Corporation]

March 23, 2011

Board of Trustees
Coast Unified School District
1350 Main Street
Cambria, California 93428

OPINION: \$2,595,000 Coast Unified School District (San Luis Obispo County, California) 2011 General Obligation Refunding Bonds (Election 1998)

Members of the Board of Trustees:

We have acted as bond counsel to the Coast Unified School District (the "District") in connection with the issuance by the District of Coast Unified School District (San Luis Obispo County, California) 2011 General Obligation Refunding Bonds (Election 1998) in the aggregate principal amount of \$2,595,000 (the "Bonds"), pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), and under a resolution of the Board of Trustees of the District (the "Board") adopted on November 18, 2011 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly created and validly existing as a school district with the power to issue the Bonds on its behalf and to perform its obligations under the Resolution and the Bonds.
2. The Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.
3. The Bonds have been duly authorized, executed and delivered by the District and are valid and binding general obligations of the District, and the Board of Supervisors of San Luis Obispo County is obligated under the laws of the State of California to cause to be levied a tax, without limit as to rate or amount, upon the taxable property in the District for the payment when due of the principal of and interest on the Bonds.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings, and the Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code") such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Code), a deduction for federal income tax purposes is allowed for 80 percent of that portion of such financial institution's interest expense allocable to interest payable on the Bonds. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Resolution and in other instruments relating to the Bonds to comply with each of such requirements; and the District has full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Coast Unified School District (the "District"), San Luis Obispo County, California, in connection with the issuance of \$2,595,000 Coast Unified School District (San Luis Obispo County, California) 2011 General Obligation Refunding Bonds (Election of 1998) (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of Trustees of the District, adopted on November 18, 2011 (the "Bond Resolution"). The District covenants and agrees as follows:

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

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

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

"Annual Report Date" means the date not later than nine months (currently March 31) after the end of each fiscal year of the District (currently June 30th).

"Dissemination Agent" means the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"Official Statement" means the final official statement executed by the District in connection with the issuance of the Bonds.

"Participating Underwriter" means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2011 with the report for the 2009-10 fiscal year (provided, however, that the first Annual Report shall consist solely of a copy of the final Official Statement for the Bonds), provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District, with a copy to the Participating Underwriter, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) The District's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the Official Statement:

- (i) outstanding indebtedness and lease obligations;
- (ii) general fund budget and actual results;
- (iii) attendance and revenue limit information or equivalent information, as may be reasonably available;
- (iv) facilities and personnel;
- (v) assessed valuations;
- (vi) largest local secured taxpayers; and
- (vii) secured tax charges and delinquencies (if the County discontinues the Teeter Plan).

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.

- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (13) 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, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in sections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the governing legal documents.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the District. Any Dissemination Agent may resign by providing 30 days' written notice to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event

of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: March 23, 2011

COAST UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Coast Unified School District (the "District")

Name of Bond Issue: \$2,595,000 Coast Unified School District (San Luis Obispo County, California) 2011 General Obligation Refunding Bonds (Election 1998)

Date of Issuance: March 23, 2011

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of March 23, 2011. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____

cc: Participating Underwriter

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APPENDIX D

SAN LUIS OBISPO COUNTY INVESTMENT POLICY AND INVESTMENT POOL

The following information has been provided by the San Luis Obispo County Treasurer/Tax Collector (the "Treasurer"), and the District takes no responsibility for the accuracy or completeness thereof. Further information may be obtained from the Treasurer.

Funds held by the County in the Investment Pool (the "County Pool") are invested in accordance with the County's Statement of Investment Policy prepared by the Treasurer as authorized by Section 53601 of the Government Code of California. A copy of the County's current Investment Policy is available upon request from the Treasurer. The Investment Policy is updated and submitted to the Board of Supervisors annually.

The County Pool represents moneys entrusted to the Treasurer by the county, schools, and special districts within the County. State law requires that all moneys of the County, school districts, and certain special districts be held by the Treasurer. The County currently does not have any voluntary participants investing in the pool.

Moneys deposited in the County Pool by the participants represent an individual interest in all assets and investments in the County Pool based upon the amount deposited. All income is distributed to the participants based on the average daily balance.

The Treasurer's Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made.

Funds on deposit with the Treasurer are managed to insure preservation of capital through high quality investments, maintenance of liquidity and then yield.

The County Pool has never invested in derivatives, reverse repurchase agreements or securities lending agreements and such investments are not identified as permitted investments in the County's investment policy.

The portfolio structure of the County Pool as of December 31, 2010 was as follows:

Bankers' Acceptances	\$20,046,007
Commercial Paper	19,998,508
Local Agency Investment Fund	50,000,000
Public Investment Money Market Account	50,000,000
Teeter Note	6,018,795
Federal Agencies	128,586,423
Treasuries	226,361,053
Repurchase Agreement	<u>84,000,827</u>
Total	\$585,011,613

The weighted average days to maturity as of December 31, 2010 was 197 days.

The County believes that the County Pool is prudently invested and that the investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the County's expenditures and other scheduled withdrawals.

Fitch Ratings, Inc. ("Fitch"), a nationally recognized statistical rating organization, has assigned a managed fund credit rating of "AAA" and a market risk rating of "V1" to the County Pool. Fitch has consistently given the County Pool their highest rating since Fiscal Year 1994-95. The County Pool's "AAA" rating reflects the credit quality and diversification of the underlying assets in the portfolio, and appropriate management, and operational capabilities. The County Pool's "V1" volatility rating reflects low market risk and strong capacity to return stable principal value to participants, as well as to meet anticipated cash flow requirements, even in an adverse interest rate environment.

The County Treasury Oversight Committee (the "CTOC") was created by a Board of Supervisors' Resolution and is formed by five members. The CTOC monitors and reviews quarterly, the management of public funds maintained in the investment pool in accordance with the California Government Code. The CTOC and the Board of Supervisors review and approve the IP annually. The Treasurer prepares and submits a comprehensive investment report to the members of the CTOC and the investment pool participants every quarter. The report covers the type of investments in the pool, maturity dates, par value, actual costs and fair value. California Government Code directs the CTOC to cause an annual IP compliance audit. A list of providers for the annual compliance audit is specified in the Board Resolution which created the CTOC. These providers are: County Auditor in conjunction with or in addition to work directed by California Government Code; independent certified public accountants (CPAs) selected to review the County's Comprehensive Annual Financial Report; and independent CPAs as deemed appropriate. The County Auditor-Controller's Office has been selected to perform an Annual Investment Program Compliance Audit since the inception of the CTOC. The result of this audit has been presented to the Board of Supervisors on a yearly basis.

For additional information concerning County investments, see www.slocounty.ca.gov/tax.

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “District”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is

also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC 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 information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from District or 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, Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or 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.

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

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

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

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