NEW ISSUE — FULL BOOK-ENTRY **RATINGS: Moody's: Aa3**
S&P: AA-
(See "RATINGS" herein.)

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject however, to certain qualifications described herein, under existing laws, the interest on the Series A 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 such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS — Tax Matters" herein.

$73,998,935.75
GENERAL OBLIGATION BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2007-1 OF THE POWAY UNIFIED SCHOOL DISTRICT, 2008 ELECTION, SERIES A (SAN DIEGO COUNTY, CALIFORNIA)

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

The General Obligation Bonds of School Facilities Improvement District No. 2007-1 of the Poway Unified School District, 2008 Election, Series A (the "Series A Bonds"), in the aggregate principal amount of $73,998,935.75, are being issued by the Poway Unified School District (the "School District") on behalf of the School Facilities Improvement District No. 2007-1 of the Poway Unified School District (the "Improvement District"). The Series A Bonds will be issued as capital appreciation Series A Bonds (the "Capital Appreciation Series A Bonds"). The Series A Bonds were authorized at a special election of the registered voters of the School District held on February 5, 2008, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed $179,000,000 principal amount of general obligation bonds of the Improvement District to finance the construction of new facilities, such as multipurpose rooms, and renovation and improvement at existing schools.

The Series A Bonds are general obligation bonds of the School District on behalf of the Improvement District and are secured by taxes levied against property within the Improvement District. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes upon property within the Improvement District, without limitation of rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of Accreted Value of the Series A Bonds.

The Series A Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Series A Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Series A Bonds. Payment to registered owners of $1,000,000 or more in principal amount of the Series A Bonds, at the registered owner's written request, will be by wire transfer to an account in the continental United States of America. The Capital Appreciation Series A Bonds are dated the date of delivery of the Series A Bonds and accrete in value from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2009. The Capital Appreciation Series A Bonds are issuable as fully-registered Series A Bonds with a maturity value of $5,000 or any integral multiple thereof. Payments of Accreted Value of the Series A Bonds will be paid by the Paying Agent for the Series A Bonds, initially the Treasurer-Tax Collector of the County, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Series A Bonds. (See "THE SERIES A BONDS — Book-Entry-Only System.")

The Capital Appreciation Series A Bonds are not subject to redemption prior to maturity.

This cover page contains information for general reference only. It is not a summary of all the provisions of the Series A Bonds. Potential investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Series A Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the School District and subject to certain other conditions. McFarlin & Anderson LLP, Lake Forest, California, is acting as Disclosure Counsel. Certain legal matters will be passed on for the School District by Bowie, Arneson, Wiles & Giannone, Newport Beach, California. It is anticipated that the Series A Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about January 27, 2009.

STONE & YOUNGBERG

The date of this Official Statement is January 9, 2009.

$73,998,935.75
GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2007-1 OF THE
POWAY UNIFIED SCHOOL DISTRICT, 2008 ELECTION, SERIES A
(SAN DIEGO COUNTY, CALIFORNIA)

MATURITY SCHEDULE
Base CUSIP® No. 738850†
$73,998,935.75 Capital Appreciation Series A Bonds

Maturity August 1	Original Principal Amount	Final Accreted Value	Yield to Maturity	Accretion Rate	CUSP® No.†
2017	$2,249,149.20	$3,720,000.00	4.250%	6.000%	PZ3
2018	2,590,951.80	4,580,000.00	4.500%	6.080%	QA7
2019	2,908,028.50	5,525,000.00	4.800%	6.200%	QB5
2020	3,212,235.20	6,560,000.00	5.120%	6.300%	QC3
2021	3,496,412.30	7,690,000.00	5.420%	6.400%	QD1
2022	3,760,638.00	8,925,000.00	5.620%	6.500%	QE9
2023	4,004,578.50	10,275,000.00	5.820%	6.600%	QF6
2024	4,225,733.55	11,745,000.00	5.970%	6.700%	QG4
2025	4,427,316.05	13,355,000.00	6.100%	6.800%	QH2
2026	4,640,957.75	15,095,000.00	6.200%	6.850%	QJ8
2027	4,758,169.05	17,005,000.00	6.270%	7.000%	QK5
2028	4,981,274.70	19,070,000.00	6.350%	7.000%	QL3
2029	5,205,984.00	21,350,000.00	6.400%	7.000%	QM1
2030	5,417,594.00	23,800,000.00	6.450%	7.000%	QN9
2031	5,621,422.95	26,455,000.00	6.500%	7.000%	QP4
2032	9,493,833.60	48,960,000.00	6.540%	7.100%	QQ2
2033	3,004,656.60	16,615,000.00	6.580%	7.100%	QR0

† CUSIP® A registered trademark of the American Bankers Association. Copyright © 1999-2009 Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. CUSIP® data herein is provided by Standard & Poor's CUSIP® Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP® Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the School District nor the Underwriter takes any responsibility for the accuracy of such numbers.

COUNTY OF SAN DIEGO, CALIFORNIA

BOARD OF SUPERVISORS

Greg Cox, *Chairman, District 1*
Dianne Jacob, *Vice Chairwoman, District 2*
Pam Slater-Price, *Supervisor, District 3*
Ron Roberts, *Supervisor, District 4*
Bill Horn, *Supervisor, District 5*

POWAY UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Andy Patapow, *President*
Todd Gutschow, *Vice President*
Penny Ranftle, *Clerk of the Board*
Jeff Mangum, *Member*
Linda Vanderveen, *Member*

SCHOOL DISTRICT CHIEF ADMINISTRATORS

Donald A. Phillips, Ed.D., *Superintendent*
John P. Collins, Ed.D., *Deputy Superintendent*
Malliga Tholandi, *Chief Financial Officer*

PROFESSIONAL SERVICES

BOND COUNSEL AND SCHOOL DISTRICT COUNSEL

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

DISCLOSURE COUNSEL

McFarlin & Anderson LLP
Lake Forest, California

BOND REGISTRAR, TRANSFER AGENT, AUTHENTICATION AGENT AND PAYING AGENT

Treasurer-Tax Collector of the County of San Diego
San Diego, California

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE SCHOOL DISTRICT TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION WITH RESPECT TO THE SERIES A BONDS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE SCHOOL DISTRICT OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE DESCRIBED ON THE COVER PAGE OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH 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 time 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 information set forth herein has been furnished by the School District, or other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the School District since the date hereof.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

IN CONNECTION WITH OFFERING THE SERIES A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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$73,998,935.75
GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2007-1 OF THE
POWAY UNIFIED SCHOOL DISTRICT, 2008 ELECTION, SERIES A
(SAN DIEGO COUNTY, CALIFORNIA)

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover 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 Series A 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, provides information in connection with the sale of General Obligation Bonds of School Facilities Improvement District No. 2007-1 of the Poway Unified School District, 2008 Election, Series A, in the principal amount of $73,998,935.75 (the "Series A Bonds").

The School District and the Improvement District

The Poway Unified School District (the "School District") is located northeast of the City of San Diego (the "City"). The School District was originally formed in 1962. The School District currently covers approximately 100 square miles in the central portion of the County of San Diego (the "County") and includes the City of Poway and portions of the City and the County, including the communities of 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Poway, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santa Fe Valley, Santaluz and Torrey Highlands. The School District currently operates twenty-five (25) elementary schools, six (6) middle schools, four (4) comprehensive high schools, one (1) continuation high school and one (1) adult school. The School District reported 33,282 students enrolled during Fiscal Year 2007-08 and estimates approximately 33,306 students enrolled during Fiscal Year 2008-09.

The Board of Education (the "Board") of the School District has formed School Facilities Improvement District No. 2007-1 of the Poway Unified School District (the "Improvement District") consisting of all of the territory located within the boundaries of the School District except the noncontiguous territory located within the boundaries of existing Mello-Roos community facilities districts formed by the School District. The Improvement District encompasses approximately 65 square miles, representing approximately 69.4% of the territory of the School District. There were approximately 66,217 housing units in the entire School District of which approximately 45,714 were within the Improvement District in Fiscal Year 2008-09. Approximately 22,420 of the School District's students reside within the Improvement District while enrollment within the entire School District was approximately 33,306. The Improvement District was formed following a public hearing on November 5, 2007, pursuant to the provisions of Chapter 2 of Part 10 of Division 1 of Title 1 of the California Education Code (commencing with Section 15300 thereof) (the "Act") and proceedings taken by the School District. On February 5, 2008, the electors of the Improvement District voted on a question whether $179,000,000 in bonds should be issued on behalf of the Improvement District. More than the requisite 55% of the electors voting on the proposition voted in favor of such issuance. The Series A Bonds are the first series of bonds issued under such Authorization. After the Series A Bonds are issued, $105,001,064.25 of the Authorization will remain. See "THE SERIES A BONDS – Authority for Issuance," "THE IMPROVEMENT DISTRICT," "THE SCHOOL DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein.

Sources of Payment for the Series A Bonds

The Series A Bonds are general obligation bonds of the School District, on behalf of the Improvement District, payable solely from *ad valorem* property taxes levied and collected by the County pursuant to law. The Board of Supervisors of the County is obligated to annually levy *ad valorem* taxes for the payment of the Accreted Value of the Series A Bonds upon all property within the Improvement District subject to taxation by the School District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "THE SERIES A BONDS – Security" herein.

Purpose of Issue

The net proceeds of the Series A Bonds are authorized for construction, rehabilitation, modernization or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for schools. The School Board made certain findings and determinations relative to the School District's comprehensive long term school facilities funding program ("Poway School Facilities Funding Program") and the School District's Bond Advancement Program ("Bond Advancement Program"), as further identified and defined within the School Board Resolution. The School District has requested the County to include certain eligible costs of the Bond Advancement Program as related issuance costs of the Series A Bonds. A portion of the Series A Bond proceeds may be used to reimburse the School District for eligible costs previously incurred.

Description of the Series A Bonds

<u>The Capital Appreciation Bonds</u>. The Series A Bonds will be issued as capital appreciation Series A Bonds (the "Capital Appreciation Series A Bonds"). The Capital Appreciation Series A Bonds mature on August 1 in the years indicated on the cover page hereof.

The Capital Appreciation Series A Bonds are payable only at maturity and will not accrete interest on a current basis. The maturity value of each Capital Appreciation Series A Bond is equal to its Accreted Value at maturity, being comprised of its initial principal ("denominational") amount and the accreted interest between the delivery date and its respective maturity date.

<u>Registration</u>. The Series A Bonds will be issued in fully-registered form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Series A Bonds (the "Beneficial Owners") in the denominations set forth on the cover page hereof, under the book-entry-only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series A Bonds. See APPENDIX E – "BOOK-ENTRY SYSTEM." In the event that the book-entry-only system described below is no longer used with respect to the Series A Bonds, the Series A Bonds will be registered in accordance with the Resolutions (as defined below). See "THE SERIES A BONDS – Registration, Transfer and Exchange of Series A Bonds."

<u>Denominations</u>. Individual purchases of interests in the Series A Bonds will be available to purchasers of the Series A Bonds in the denominations of $5,000 maturity amount, or integral multiples thereof in the case of Capital Appreciation Bonds, *provided* that one Capital Appreciation Bond may be issued in an odd maturity amount.

<u>No Redemption Prior to Maturity</u>. The Capital Appreciation Series A Bonds are not subject to redemption prior to maturity.

<u>Payments</u>. Each Capital Appreciation Series A Bond accretes in value from its initial principal amount on the date of delivery to its maturity value on the maturity thereof at the appropriate yields per annum set forth on the cover page hereof, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2009, and is payable only at maturity as shown on the cover hereof.

Tax Matters

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, compliance with certain covenants, interest on the Series A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, such interest is not an item of tax preference for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Series A Bonds or the accrual or receipt of such interest. See "LEGAL MATTERS – Tax Matters" herein.

Offering and Delivery of the Series A Bonds

The Series A Bonds are offered when, as and if issued, subject to the approval as to their legality by Bowie, Arneson, Wiles & Giannone, Bond Counsel. It is anticipated that the Series A Bonds will be available for delivery in New York, New York on or about January 27, 2009.

Continuing Disclosure

The School District will covenant for the benefit of bondowners to make available certain financial information and operating data relating to the School District and the Improvement District and to provide notices of the occurrence of certain enumerated events, if material, in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of material events is set forth in APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Professionals Involved in the Bond Offering

Several professional firms have provided services to the School District with respect to the sale and delivery of the Series A Bonds. Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, will deliver its legal opinion in substantially the form set forth in Appendix C. McFarlin & Anderson LLP, Lake Forest, California, has served as special disclosure counsel to the School District with respect to the Series A Bonds. Bowie, Arneson, Wiles & Giannone, Newport Beach, California, is acting as counsel to the School District on matters related to the Series A Bonds. The Treasurer-Tax Collector of the County will act as Paying Agent with respect to the Series A Bonds. The payment of fees and expenses of such firms and the County with respect to the Series A Bonds is contingent on the sale and delivery of the Series A Bonds. The School District's financial statements for the Fiscal Year ended June 30, 2008, which are included as Appendix A, have been audited by Wilkinson Hadley King & Co. LLP, El Cajon, California.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Series A Bonds are available from the Deputy Superintendent of the Poway Unified School District, 13626 Twin Peaks Road, Poway, California 92064-3034, telephone number (858) 679-2517. The School 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 Series A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information from sources other than the School District set forth herein has been obtained from 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 School 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 School District since the date hereof. This Official Statement is submitted in connection with the sale of the Series A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE SERIES A BONDS

Authority for Issuance

The Series A Bonds are issued pursuant to the provisions of Article 5 of Chapter 2 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California, Article XIII A of the California Constitution, and other applicable law (the "Act"), and pursuant to resolutions adopted by the Board of Education of the School District on August 11, 2008, as supplemented, and by the Board of Supervisors of the County on September 16, 2008, as supplemented (collectively, the "Resolutions"). The School District received authorization at an election held on February 5, 2008, by an affirmative vote in excess of 55% of the votes cast by eligible voters within the Improvement District (the "Authorization") to issue not to exceed $179,000,000 of general obligation bonds (the "Bonds"). The election was held pursuant to the provisions of the "Safer Schools, Smaller Classes and Financial Accountability Act" (also known as "Proposition 39") and related State legislation. The Series A Bonds represent the first series of Bonds within the Authorization. The validity of the adoption of the Resolutions and findings and determinations therein and the validity of the form of the Bond Purchase Agreement have been confirmed by a judgment entered in the Superior Court of the State of California, in and for the County of San Diego, Central Courthouse, on November 20, 2008. Among other issues, the validation suit sought a ruling that the use of premium for payment of costs of issuance and carry costs relating to the Bond Advancement Program are permitted under the State Constitution and applicable statutes. See "INTRODUCTION – Purpose of Issue." After the sale of the Series A Bonds, there will be $105,001,064.25 principal remaining from the Authorization for the issuance of additional bonds.

Purpose of Issue

The net proceeds of the Series A Bonds are authorized for construction, rehabilitation, modernization or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for schools. A portion of the Series A Bond proceeds may be used to reimburse the School District for eligible costs previously incurred and available net premium relating to the Series A Bonds will be used to pay costs of issuance of the Series A Bonds and to pay for certain eligible costs of the Bond Advancement Program as a related issuance cost of the Series A Bonds.

Security

The Board of Supervisors of the County has power to and is obligated to annually levy *ad valorem* taxes for the payment of the Accreted Value of the Series A Bonds upon all property within the Improvement District subject to taxation by the School District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes will be levied annually in addition to all other taxes during the period that the Series A Bonds are outstanding in an amount sufficient to pay the Accreted Value of the Series A Bonds when due. Such taxes, when collected, will be deposited into the Series A Poway Unified School District Debt Service Fund (the "Debt Service Fund"), which is maintained by the County and is kept separate and distinct from all other District and County funds, and which is required by the Act to be applied for the payment of Accreted Value of the Series A Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Series A Bonds and to make timely payment of Accreted Value of the Series A Bonds when due, and will maintain the Debt Service Fund pledged to the repayment of the Series A Bonds, the Series A Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the Accreted Value of the Series A Bonds, as the same becomes due and payable, shall be transferred by the County to the Paying Agent (as defined herein). The Paying Agent will in turn remit the funds to DTC for remittance of such Accreted Value to its Participants (as used in Appendix F hereto) for subsequent disbursement to the Beneficial Owners of the Series A Bonds.

The amount of the annual *ad valorem* tax levied by the County to repay the Series A Bonds will be determined by the relationship between the assessed valuation of taxable property in the Improvement District and the amount of debt service due on the Series A Bonds in any year. Fluctuations in the annual debt service on the Series A Bonds and the assessed value of taxable property in the Improvement District may cause the annual tax rate to fluctuate. Economic and other factors beyond the School District's control, such as general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, flood, or toxic contamination, could cause a reduction in the assessed value of taxable property within the School District and necessitate a corresponding increase in the annual tax rate. In future years, the School District expects to issue additional series of Bonds in the amount of the remaining Authorization. For further information regarding the Improvement District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "TAX BASE FOR REPAYMENT OF SERIES A BONDS" herein.

Description of the Series A Bonds

The Series A 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 will not receive physical certificates representing their interests in the Series A Bonds.

Payment of Maturity Value with respect to any Capital Appreciation Series A Bonds shall be payable at maturity upon surrender at the office of the Paying Agent as designated by the Paying Agent to the County and the School District in writing. The Accreted Value of the Series A Bonds shall be payable in lawful money of the United States of America.

The Capital Appreciation Series A Bonds are dated the date of delivery of the Series A Bonds. The Capital Appreciation Series A Bonds are payable only at maturity, according to the amounts set forth in the Accreted Value Table (see APPENDIX F – "CAPITAL APPRECIATION BONDS ACCRETED VALUE TABLE" herein). The Capital Appreciation Series A Bonds will not bear interest on a current basis. The Capital Appreciation Series A Bonds shall be used in any denomination of their Principal Amounts but shall reflect denominations of $5,000 Maturity Amount or integral multiple thereof; *provided* that one Capital Appreciation Bond may be issued in an odd Maturity Amount. Interest accretes in value daily over the term to its maturity (on the basis of a 360-day year consisting of twelve 30-day months), from the initial principal (denominational) amount on the date of issuance thereof to its stated maturity value at maturity thereof, on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between Bond Payment Dates). Interest on the Capital Appreciation Series A Bonds shall be compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2009, and shall be payable upon the maturity thereof.

See the maturity schedule on the inside cover page hereof and "DEBT SERVICE SCHEDULE."

Accreted Values

The Capital Appreciation Series A Bonds shall have the Accreted Value amounts per $5,000 payment at maturity as shown on the cover hereof. Values of Accreted Value on each compounding date prior to maturity are indicated on the table set forth in Appendix F herein. Information on Accreted Values in this Official Statement and the Accreted Value table in Appendix F have been provided by the Underwriter.

Book-Entry-Only System

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

Paying Agent

The Treasurer-Tax Collector of the County will act as the initial registrar, transfer agent, authentication agent and paying agent for the Series A Bonds (the "Paying Agent"). As long as DTC is the registered owner of the Series A Bonds and DTC's book-entry method is used for the Series A Bonds, the Paying Agent will send any notices to owners only to DTC.

The Paying Agent, the School District, the County and the Underwriter of the Series A 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 Series A Bonds.

Payment

The Accreted Value of the Series A Bonds shall be payable upon maturity upon surrender at the principal office of the Paying Agent. The Accreted Value on the Series A Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Series A Bonds when duly presented for payment at maturity, and to cancel all Series A Bonds upon payment thereof. The Series A Bonds are obligations of the Improvement District and do not constitute an obligation of the County except as provided in the Resolutions. No part of any fund of the County is pledged or obligated to the payment of the Series A Bonds.

No Optional Redemption Prior to Maturity

The Capital Appreciation Series A Bonds are not subject to optional redemption prior to their fixed maturity dates.

Defeasance

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

a. <u>Cash</u>. By irrevocably depositing with a bank or trust company in escrow an amount of cash which, together with amounts then on deposit in the Debt Service Fund, is sufficient to pay all Series A Bonds outstanding and designated for defeasance, including the Accreted Value thereof; or

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

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

Defeasance Securities shall mean direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying Defeasance Securities; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Defeasance Securities; and (c) the underlying Defeasance Securities are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; *provided* that such obligations are rated or assessed "AAA" by Standard & Poor's and "Aaa" by Moody's Investors Service.

Registration, Transfer and Exchange of Series A Bonds

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

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

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

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

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

Neither the School District, the County nor the Paying Agent will be required to issue or transfer any Series A Bonds during a period beginning with the opening of business on the 15th business day next preceding any Bond Payment Date and ending with the close of business on the Bond Payment Date.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Series A Bonds	$73,998,935.75
Original Premium	9,544,566.70
Total Sources	$83,543,502.45

Uses of Funds

Net Construction Proceeds	$73,998,935.75
Costs of Issuance[1]	725,000.00
Underwriter's Discount	769,588.93
Bond Advancement Program Costs	8,049,977.77
Total Uses	$83,543,502.45

[1] *Includes, among other things, the fees and expenses of Bond Counsel, the fees and expenses of Disclosure Counsel, fees and expenses of the Paying Agent, fees and expenses of the School District consultants, rating fees, the cost of printing the preliminary and final Official Statements and other costs associated with issuing, selling and delivering the Series A Bonds, as well as costs associated with the Bond Advancement Program.*

DEBT SERVICE SCHEDULE

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

Year Ending August 1	Principal Payment	Compounded Interest Payment[1]	Total Annual Debt Service
2017	$2,249,149.20	$1,470,850.80	$3,720,000
2018	2,590,951.80	1,989,048.20	4,580,000
2019	2,908,028.50	2,616,971.50	5,525,000
2020	3,212,235.20	3,347,764.80	6,560,000
2021	3,496,412.30	4,193,587.70	7,690,000
2022	3,760,638.00	5,164,362.00	8,925,000
2023	4,004,578.50	6,270,421.50	10,275,000
2024	4,225,733.55	7,519,266.45	11,745,000
2025	4,427,316.05	8,927,683.95	13,355,000
2026	4,640,957.75	10,454,042.25	15,095,000
2027	4,758,169.05	12,246,830.95	17,005,000
2028	4,981,274.70	14,088,725.30	19,070,000
2029	5,205,984.00	16,144,016.00	21,350,000
2030	5,417,594.00	18,382,406.00	23,800,000
2031	5,621,422.95	20,833,577.05	26,455,000
2032	9,493,833.60	39,466,166.40	48,960,000
2033	3,004,656.60	13,610,343.40	16,615,000
	$73,998,935.75	$186,726,064.25	$260,725,000

[1] *Represents compounded interest on the Capital Appreciation Series A Bonds.*

APPLICATION OF PROCEEDS OF SERIES A BONDS

Improvement Fund

The proceeds from the sale of the Series A Bonds, to the extent of the principal amount thereof, shall be paid to the County to the credit of the fund known as the School Facilities Improvement District No. 2007-1 of the Poway Unified School District, Series A Bonds Improvement Fund (the "Improvement Fund") and shall be kept separate and distinct from all other School District and County funds. The proceeds shall be used solely for the purpose for which the Series A Bonds are being issued and such proceeds shall be applied solely to authorized purposes which relate to the construction, rehabilitation, modernization or replacement of school facilities, which may include the furnishing and equipping of school facilities or the acquisition or lease of real property for schools. Series A Bond proceeds may be used to reimburse the School District for eligible costs previously incurred. The School District intends to use the proceeds of the Series A Bonds to construct, rehabilitate, modernize or replace school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for schools. Any excess proceeds of the Series A Bonds not needed for the authorized purposes for which the Series A Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of the Accreted Value of the Series A Bonds. If, after payment in full of the Series A Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the School District. Interest earned on the investment of moneys held in the Improvement Fund shall be retained in the Improvement Fund.

Debt Service Fund

The *ad valorem* property taxes levied by the County for the payment of the Series A Bonds, when collected, will be deposited into the Debt Service Fund. The Series A Bonds shall be paid from the Debt Service Fund. Interest earnings on the investment of moneys held in the Debt Service Fund shall be retained in the Debt Service Fund and used by the School District to pay Accreted Value of the Series A Bonds when due.

Permitted Investments

The County Treasurer is authorized to invest the proceeds of the sale of the Series A Bonds and all proceeds of taxes for payment of the Series A Bonds in the County's Investment Pool (or other investment pools of the County into which the School District may lawfully invest its funds). Upon the written direction of the School District, the County Treasurer may invest Series A Bond proceeds or proceeds of taxes collected for payment of the Series A Bonds in any investment permitted by law, including, but not limited to investment agreements which comply with the requirements of each rating agency then rating the Series A Bonds necessary in order to maintain the then-current rating on the Series A Bonds or in the Local Agency Investment Fund established by the State Treasurer.

SAN DIEGO COUNTY TREASURY POOL

The following information concerning the pooled investment fund of the County (the "Treasury Pool") has been provided by the Treasurer-Tax Collector of the County (the "Treasurer") and has not been confirmed or verified by the School District. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

In accordance with Government Code Section 53600 *et seq*., the Treasurer manages funds deposited with it by the School District. Each county is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code.

All investments in the Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53601 *et seq*., authorities delegated by the County Board of Supervisors and the Treasurer's investment policy.

General

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

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

The County has established an oversight committee as required by State law. The members of the oversight committee include the Treasurer, the Chief Financial Officer, members of the public, and a representative from a special district and a school district. The role of the oversight committee is to review and monitor the investment policy of the Treasurer.

The Treasury Pool's Portfolio

As of November 30, 2008, the securities in the Treasury Pool had a market value of $4,622,325,479 and a book value of $4,580,354,802, for a net unrealized gain of $41,970,677. As of November 30, 2008, the weighted average maturity of the Pool portfolio was approximately 426 days.

As of November 30, 2008, approximately 2.74% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 4.77% by non-county funds, 10.11% by community college districts, 37.45% by the County and 44.93% by school districts.

As of September 28, 2007, Standard & Poor's rated the Pool's ability to meet its financial commitments "AAAf" (long-term) and "S1" (short-term volatility).

Investments of the Treasury Pool

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

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

In order to limit exposure to credit risk, the Pool has limited purchases of corporate securities to maturities less than 30 days. In a few instances, the Pool has purchased maturities beyond 30 days for the sole purpose of duration management in the Pool's sub-portfolio, the Benchmark Portfolio. The Benchmark Portfolio consists of no more than 25% of the aggregated Pool assets at any given time. Within the Benchmark Portfolio, the allocation to corporate securities is approximately 10% or 2.5% of the total Pool assets.

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

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

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

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

Pool Benchmark. Beginning in early 2007, the Pool was managed as two portfolios; one positioned to meet liquidity needs and the other positioned to achieve incremental yield. All reporting with respect to the Pool will be on a combined portfolio basis to facilitate financial transparency from the perspective of Pool participants. The change was instituted after the development of a benchmark portfolio, which is comprised of 60% U.S. Treasury securities, 30% U.S. Government Agency securities and 10% corporate securities. It has a duration of approximately 1.6 years and reflects an appropriate risk/return profile for the portion of the Pool that is not anticipated to be needed for liquidity purposes. While the "benchmarked" portion of the portfolio is available for liquidity needs, it is positioned to achieve long term incremental yield. The combined portfolios will continue to comply with all California State Code and the Pool's Investment Policy.

Certain Information Relating to the Pool

The following table reflects information with respect to the Pool as of November 30, 2008. As described above, a wide range of investments is authorized by state law. Therefore, there can be no assurances that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described below. In addition, the values specified in the following tables were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on November 30, 2008, the Pool necessarily would have received the values specified.

TREASURER-TAX COLLECTOR
SAN DIEGO COUNTY PORTFOLIO STATISTICS
as of November 30, 2008

	Percent of Portfolio	Book Value	Market Price	Accrued Interest	Market Value	Net Unrealized Gain/(Loss)	Yield to Maturity	Weighted Average Days to Maturity
US Treasury Notes	7.65%	$335,108,477	105.54%	$3,093,432	$353,564,820	$18,456,343	4.08%	780
FNMA Discount Notes	10.88	500,196,042	99.62	0	503,085,500	2,889,458	2.72	122
Federal Farm Credit Bank Notes	4.67	213,893,179	100.97	871,160	216,105,210	2,212,031	3.62	761
Federal Home Loan Bank Discount Notes	7.14	328,832,841	99.89	0	329,900,376	1,067,535	1.90	78
Federal Home Loan Bank Notes	15.45	705,309,080	101.67	6,756,664	714,337,908	9,028,828	3.60	664
Federal Home Loan Mortg. Corp. Disc Notes	6.24	286,564,795	99.42	0	288,460,712	1,895,917	2.55	178
Federal Home Loan Mortg. Corp. Notes	15.74	721,525,514	101.36	7,724,026	727,512,002	5,986,488	3.82	835
Fannie Mae	11.48	526,902,300	101.79	5,737,884	530,546,271	3,643,971	2.88	448
Corporate Medium Term Notes	1.65	78,645,026	98.50	1,292,188	76,340,500	(2,304,526)	4.06	755
Asset Backed Notes	0.84	38,925,423	99.11	67,553	38,652,600	(272,823)	5.42	169
Bond Fund	0.76	35,000,000	98.80	92,955	34,579,580	(420,420)	2.93	1
Money Market Funds	4.74	219,420,000	100.00	2,267,396	219,420,000	0	1.60	1
Repurchase Agreements	7.57	350,000,000	99.95	23,667	349,825,000	(175,000)	0.81	1
Commercial Paper	1.08	50,000,000	99.95	20,000	49,975,000	(25,000)	1.20	19
Collateralized/FDIC Certificates of Deposit	2.16	99,932,125	99.92	0	99,920,000	(12,125)	1.36	19
Totals For November 2008	1.95	90,100,000	100.00	230,074	90,100,000	0	2.60	124
Total for October 2008	100.00%	$4,580,354,802	101.00%	$28,176,999	$4,622,325,479	$41,970,677	2.92%	426
Change From Prior Month	100.00%	$4,596,598,193	100.32%	$29,844,214	$4,611,053,594	$14,455,401	2.94%	435
Portfolio Effective Duration		($16,243,391)	0.68%	($1,667,215)	$11,271,885	$27,515,276	(0.02%)	(9)

	November Return	Annualized	Fiscal Year To Date Return	Annualized	Calendar Year To Date Return	Annualized
Book Value	0.248%	3.012%	1.340%	3.197%	3.349%	3.648%
Market Value	0.223%	2.709%	0.164%	2.778%	3.584%	3.905%

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

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the California Constitution ("Article XIIIA"). Article XIIIA, as amended, limits the amount of any *ad valorem* taxes on real property to 1% of the "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds or more of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the School District, but only if certain accountability measures are included in the proposition as provided by Proposition 39. The tax for payment of the Series A Bonds falls within the exception for bonds approved by a 55% vote. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year until new construction or a change of ownership occurs.

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

Legislation Implementing Article XIIIA

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

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency claims on tax increment, if any, and subject to changes in organizations, if any of affected jurisdictions, is allocate 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 allocate to such jurisdictions.

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

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

Taxation of State-Assessed Utility Property

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

Changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The School District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the School District. Because the School District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the States' school financing formula.

Article XIIIB of the California Constitution

An initiative to amend the California Constitution entitled "Limitation of Government Appropriations," was approved on November 6, 1979, thereby adding Article XIIIB to the California Constitution ("Article XIIIB"). Under Article XIIIB State and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including appropriations for debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit was originally to be based on certain Fiscal Year 1978-79 expenditures, and adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any consecutive two-year period exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

In the event the School District receives any proceeds of taxes in excess of the allowable limit in any fiscal year, the School District may implement a statutory procedure to concurrently increase the School District's appropriations limit and decrease the State's allowable limit, thus nullifying the need for any return. Certain features of Article XIIIB were modified by Proposition 111 in 1990 (see " – Proposition 111" below).

The District's appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2006-07 Fiscal Year were equal to the allowable limit of $164,214,519 and for the 2007-08 Fiscal Year were equal to the allowable limit of $172,844,584. The District currently estimates an appropriations limit for 2008-09 of $180,493,954. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated to such districts in 1986-87 or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period. The current level of guaranteed funding pursuant to Proposition 98 is approximately 35% of the State general fund.

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

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

Proposition 111

On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

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

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

c. <u>Exclusions from Spending Limit</u>. Two new exceptions have been added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, excluded are all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, excluded are any increases in gasoline taxes above the current nine cents per gallon level, sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990.

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

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

Proposition 218

An initiative measure entitled "Right to Vote on Taxes Act," also known as Proposition 218 (the "Initiative"), was approved by California voters at the November 5, 1996, state-wide general election, and became effective on November 6, 1996. The Initiative added Articles XIIIC and XIIID to the California Constitution, and all references herein to Articles XIIIC and XIIID are references to the text as set forth in the Initiative.

Among other things, Article XIIIC establishes that every tax imposed by a local government is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), and prohibits special purpose government agencies such as school districts from levying general taxes.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The initiative power is, however, limited by the United States Constitution's prohibition against state or local laws "impairing the obligation of contracts." The Series A Bonds represent a contract between the School District and the bondholder secured by the collection of *ad valorem* property taxes. While not free from doubt, it is likely that, once the Series A Bonds are issued, the taxes securing them would not be subject to reduction or repeal. Legislation adopted in 1997 provides that Article XIIIC 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 United States Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws 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 the School District. No developer fees imposed by the School District are pledged or expected to be used to pay the Series A Bonds.

The interpretation and application of the Initiative and the United States Constitution's contracts clause 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.

Proposition 39

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

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

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding, see " – Proposition 98" and " – Proposition 111" above.

Future Initiatives and Legislation

The Initiative was adopted pursuant to a measure qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the State Legislature. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the County, the City, the School District or local districts to increase revenues or to increase appropriations or on the ability of a property owner to complete the development of the property.

EFFECT OF STATE BUDGET ON REVENUES

Most public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. In the aggregate, the State General Fund provides approximately 58% of the estimated total statewide expenditures for K-12 education programs. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION – State Funding of Education" herein). State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs. See "DISTRICT FINANCIAL INFORMATION – Financial Statements" herein for information regarding revenues received by the School District from all State sources.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS"), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process.

California Teachers' Association v. Gould. During several years in the early 1990s, the State realized less tax receipts than it had previously budgeted, so that in each of those years public education received more in funding than its minimum entitlement under Proposition 98. (See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 98"). The State legislature characterized the overfunded amounts as "loans" to be repaid from the Proposition 98 entitlement in future years. The aggregate amount of these loans was approximately $1.76 billion. The validity of the loan characterization and repayment mechanism were challenged by the California Teachers' Association ("CTA"), which sought to void the obligation to repay the loan amounts.

On April 26, 1994, a Sacramento County superior court entered a judgment that K-14 districts are not obligated to repay the inter-year loans. The decision was appealed by the State, and pending such appeal the CTA and the State reached a settlement which became final on April 12, 1996. Pursuant to the settlement agreement, no new inter-year loans will be created; the existing loans were required to be repaid over an eight-year period, with K-14 schools contributing $825 million from funds allocated to education under Proposition 98, and the State contributing the balance of $938 million. The schools' contribution of $825 million was counted toward the Proposition 98 guarantee in future years.

Education Provisions of the California State Budget. The Governor is required by the State Constitution 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 2/3 vote of each house of the Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure. State income tax, sales tax, and other receipts can fluctuate significantly from year to year depending on economic conditions in the State and the nation. Because funding for K-12 education is closely related to overall State income, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. The School District cannot predict how State income or State education funding will vary over the entire term to maturity of the Bonds, and the School District takes no responsibility for informing owners of the Bonds as to any such annual fluctuations. Information about the State budgeting process, the State Budget and State spending for education is available at various State-maintained websites, including (i) the State's website, where recent official statements for State bonds are posted, (ii) the California State Treasurer's Internet home page which includes the State's audited financial statements, various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State, the State's Rule 15c2-12 filings for State bond issues, financial information which includes an overview of the State economy and government, State finances, State indebtedness, litigation and discussion of the State budget and its impact on school districts; (iii) the California Department of Finance's internet home page which includes the text of the budget and information regarding the State budget, and (iv) the State Legislative Analysts's office which prepares analyses of the proposed and adopted State budgets. *The State has not entered into any contractual commitment with the School District, the County, the underwriter or the owners of the Series A Bonds to provide State budget information to the School District or the owners of the Series A Bonds. Although the State sources of information listed above are believed to be reliable, neither the School District nor the underwriter assumes any responsibility for the accuracy of the state budget information set forth or referred to therein.*

Recent Developments Regarding State Finances. Since early 2001 the State has faced significant financial challenges, with an economic recession in 2001 and a sluggish recovery in 2002 and 2003 (with greatest impacts in the high technology, internet and telecommunications sectors, especially in Northern California); weakened exports; and most particularly, large stock market declines between 2000 and 2002 (with attendant declines in stock option values and capital gains realizations). These adverse fiscal and economic factors resulted in an erosion of State general fund tax revenues. The three largest State general fund tax sources are personal income, sales and use, and corporate taxes. The bulk of the revenue declines were from personal income taxes, principally from reduced capital gains realizations and stock option income. This revenue drop resulted in a shortfall between State revenues and anticipated spending demands during three Fiscal Years from 2001-02 to 2003-04 resulting in a total accumulated deficit of approximately $22 billion. In Fiscal Years 2004-05 and 2005-06, finances improved but concerns remain regarding structural imbalances in the annual State budget. In Fiscal Years 2006-07 and 2007-08, finances deteriorated and in Fiscal Years 2007-08 and 2008-09, the State struggled with the structural imbalances in the annual State budget.

2008-09 State Budget. Governor Schwartzenegger introduced the proposed 2008-09 State Budget on January 10, 2008. Total 2008-09 Proposition 98 funding was proposed at $55.7 billion, which reflected no increase over the revised estimate of $55.7 billion for Fiscal Year 2007-08. Total 2006-07 Proposition 98 funding was $55.1 billion, of which the General Fund share was approximately $41.4 billion. The proposed Fiscal Year 2008-09 level of funding also reflected $4 billion in Proposition 98 spending below the level that otherwise would have been required by the Proposition 98 guarantee for Fiscal Year 2008-09. The General Fund comprises approximately $39.6 billion of total proposed Proposition 98 funding. These totals include funding for K-12 and community colleges.

On May 14, 2008, the Governor presented the May Revision to the Governor's Budget. The May Revision maintained education as a high priority and provided more funding than was contemplated in the original Governor's Budget. The 2008-09 Budget was enacted by the Governor on September 23, 2008, and included $58.1 billion in Proposition 98 funding of which $41.9 billion would be paid from the State's General Fund. Due to deteriorating State finances since adoption of the 2008-09 State Budget, on December 1, 2008, the Governor called two immediate special legislative sessions to address the urgent budget situation. On January 8, 2009, the Governor declared a fiscal emergency and released the Governor's proposed budget for Fiscal Year 2009-10.

It should not be inferred from the inclusion of this information in this Official Statement that the Accreted Value of the Series A Bonds is payable from the general fund of the School District. The Series A Bonds are payable from the proceeds of an *ad valorem* tax required to be levied by the County in an amount sufficient for the payment of the Series A Bonds. See "THE SERIES A BONDS – Security" herein.

Future Budgets. The School District cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with the projected State budget deficit and the changing State revenues and expenditures. Future State Budgets will be affected by national and State economic conditions and other factors. However, the obligation of the County to levy *ad valorem* taxes upon all taxable property within the School District for the payment of the Bonds would not be impaired. The Governor and the Legislature have not always met the statutory deadline for approval of the State Budget.

The Series A Bonds are general obligation bonds of the School District on behalf of the Improvement District secured by *ad valorem* taxes levied and collected pursuant to the Authorization, the California Constitution and State law and do not constitute an obligation of the County except to provide for the levy and collection of the *ad valorem* taxes and payment of funds to the Paying Agent as set forth in the Resolutions. No part of any fund of the County is pledged or obligated to the payment of the Series A Bonds.

THE IMPROVEMENT DISTRICT

General Information

The Improvement District was formed on November 5, 2007, pursuant to the provisions of the Act and proceedings taken by the School District. The Improvement District includes all of the territory located within the boundaries of the School District excepting only noncontiguous territory located within the boundaries of certain Mello-Roos community facilities districts formed by the School District. The area of the Improvement District is about 65 square miles, representing approximately 69.4% of the territory of the School District. There were approximately 66,217 housing units in the entire School District of which approximately 45,714 were within the Improvement District in Fiscal Year 2008-09. Approximately 22,420 of the School District's students reside within the Improvement District while enrollment within the entire School District was approximately 33,306. All of the necessary filings under State Law connected with formation of the Improvement District have been made with the State Board of Equalization.

The Series A Bonds are general obligation bonds of the School District, on behalf of the Improvement District, payable from *ad valorem* taxes levied on taxable parcels within the Improvement District.

TAX BASE FOR REPAYMENT OF SERIES A BONDS

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

Ad Valorem Property Taxation

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer.

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

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be 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 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. The availability of revenue from growth in tax bases to such entities may be affected by the establishment of redevelopment agencies which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

Assessed Valuations

The assessed valuation of property in the Improvement District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

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

Property within the Improvement District had a net taxable assessed valuation for Fiscal Year 2008-09 of $20,101,514,501, representing about 69.4% of the total assessed valuation of the School District.

ASSESSED VALUATION OF PROPERTIES WITHIN
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2007-1 OF THE
POWAY UNIFIED SCHOOL DISTRICT
2008-09 Assessed Valuation[1]

	Local Secured	Utility	Unsecured	Total
2008-09	$19,475,646,349	$1,079,418	$624,788,734	$20,101,514,501

(1) Estimated by deducting the assessed valuations of 254 parcels from School Facilities Improvement District No. 2002-1 ("SFID No. 2002-1") which are not included in School Facilities Improvement District No. 2007-1. The final allocation of properties within the boundaries of SFID No. 2007-1 into tax rate areas will not be finalized by the State Board of Equalization until Fiscal Year 2009-10.

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified educations, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, flood, or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate.

Tax Levies and Delinquencies

Information regarding the secured tax charges and delinquencies for all taxes collected in the Improvement District is not available from the County. As described below, the County has implemented an alternative method for the distribution of secured property taxes to local agencies, known as the "Teeter Plan" pursuant to which a participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the County has actually collected the levies. The Teeter Plan may be discontinued under certain circumstances.

Alternative Method of Tax Distribution – "Teeter Plan"

The following information has been provided by the County for inclusion in this Official Statement.

The County has implemented an alternative method for the distribution of secured property taxes to local agencies, known as the "Teeter Plan." The Teeter Plan provisions are now set forth in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as "bank" and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll. The County Board of Supervisors adopted the Teeter Plan on June 29, 1993. The County's Teeter Plan applies to the School District and to the Series A Bonds.

The *ad valorem* property tax to be levied to pay the Accreted Value of the Series A Bonds is subject to the Teeter Plan. The School District will receive 100% of the *ad valorem* property tax levied to pay the Series A Bonds irrespective of actual delinquencies in the collection of the tax by the County.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. The County has never discontinued the Teeter Plan with respect to any levying agency.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then-accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of assessments (if a county has elected to include assessments), 100% of the assessment delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the assessment. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

Tax Rates

There are a total of approximately 247 tax rate areas in the Improvement District. The table below provides representative total *ad valorem* tax rates levied by all taxing entities in Tax Rate Areas 8-262 (located in the City representing approximately $10,616,296,218 of assessed value or approximately 52.81% of the total assessed value of $20,101,514,501 in the Improvement District) and 17-030 (located in the unincorporated area of the County representing approximately $682,227,476 of assessed value or approximately 3.39% of the total assessed value or $20,101,514,501 in the Improvement District). The tables below show the tax rates for each Tax Rate Area.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2007-1 OF THE POWAY UNIFIED SCHOOL DISTRICT

Typical Tax Rates (TRA 8-262)[1]

	2004-05	2005-06	2006-07	2007-08	2008-09
General	1.00000	1.00000	1.00000	1.00000	1.00000
City of San Diego	0.00670	0.00645	0.00624	0.00619	0.00608
Palomar Community College District	–	–	–	0.00984	0.01322
Poway Unified School District SFID No. 2002-1	0.04723	0.04256	0.04627	0.04460	0.04704
Palomar Pomerado Healthcare District	–	0.01775	0.01775	0.01775	0.01775
Metropolitan Water District	0.00580	0.00520	0.00470	0.00450	0.00430
	1.05973	1.07196	1.07496	1.08288	1.08839

Typical Tax Rates (TRA 17-030)[2]

	2004-05	2005-06	2006-07	2007-08	2008-09
General	1.00000	1.00000	1.00000	1.00000	1.00000
City of Poway	0.00720	0.00690	–	–	–
Palomar Community College District	–	–	–	0.00984	0.01322
Poway Unified School District SFID No. 2002-1	0.04723	0.04256	0.04627	0.04460	0.04704
Palomar Pomerado Healthcare District	–	0.01775	0.01775	0.01775	0.01775
Metropolitan Water District	0.00580	0.00520	0.00470	0.00450	0.00430
	1.06023	1.07241	1.06872	1.07669	1.08231

(1) 52.81% of total school district valuation.
(2) 3.39% of total school district valuation.

Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the Improvement District as determined by secured assessed valuation in Fiscal Year 2008-09.

LARGEST LOCAL SECURED PROPERTY OWNERS
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2007-1 OF THE
POWAY UNIFIED SCHOOL DISTRICT

Largest 2008-09 Local Secured Taxpayers

	Property Owner	Primary Land Use	2008-09 Assessed Valuation	% of Total[1]
1	Sorrento West Properties Inc.	Industrial	$ 173,192,432	0.89%
2.	Kilroy Realty LP	Office Building	159,430,718	0.82
3.	Hewlett-Packard Co.	Industrial	143,047,658	0.73
4.	Cymer Inc.	Office Building	130,951,567	0.67
5.	Bernardo Summit LLC	Industrial	110,775,000	0.57
6.	Point Office Partners LLC	Office Building	91,800,000	0.47
7.	Sony Electronics Inc.	Industrial	90,736,825	0.47
8.	Slough Poway I & II LLC	Office Building	77,736,916	0.40
9.	Bernardo Technology Partners I LLC	Office Building	76,944,994	0.40
10.	BAE Systems Mission Solutions Inc.	Industrial	73,505,120	0.38
11.	PDP Pomerado LLC	Office Building	69,558,551	0.36
12.	Apple Seven Hospitality Ownership Inc.	Hotel	68,493,000	0.35
13.	Arden Realty LP	Office Building	67,120,742	0.34
14.	Teradata U.S. Inc.	Office Building	62,628,018	0.32
15.	Rreef American REIT II Portfolio LP	Office Building	60,236,108	0.31
16.	CCC Retirement Communities I LP	Rest Home	58,599,037	0.30
17.	Milazzo Residences LLC	Apartments	53,804,641	0.28
18.	West Bernardo Ventures LLC	Industrial	40,800,000	0.21
19.	Goldentop Road LLC	Industrial	37,740,000	0.19
20.	WAM Via Del Campo LP	Industrial	36,720,000	0.19
			$1,683,821,327	8.65%

[1] 2008-09 Local Secured Assessed Valuation: $19,475,646,349.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Bonded Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared in September 2008 with respect to the Improvement Area by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. The School 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 Improvement District in whole or in part. Such long-term obligations generally are not payable from revenues of the School District (except as indicated) nor are they necessarily obligations secured by land within the Improvement District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the School District; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within the School District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the School District, as determined by multiplying the total outstanding debt of each agency by the percentage of the School District's assessed valuation represented in column 2.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2007-1 OF THE
POWAY UNIFIED SCHOOL DISTRICT

General Obligation Bonds

POWAY UNIFIED SCHOOL DISTRICT SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2007-1

2008-09 Assessed Valuation:	$20,101,514,501
Incremental Valuation	3,812,849,826
Adjusted Assessed Valuation:	$16,288,664,675

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 10/1/08	
Metropolitan Water District	0.896%	$ 2,931,846	
Palomar Community College District	20.095	31,750,100	
San Diego Community College District	0.003	14,961	
Poway Unified School District School Facilities Improvement District No. 2002-1	99.194	174,205,263	(2)
Poway Unified School District School Facilities Improvement District No. 2007-1	**100.**	**-**	(2)
Padre Dam Municipal Water District, I.D. No. C	0.002	2	
City of San Diego	6.960	439,524	
City of San Diego Open Space Park District	6.960	487,896	
Palomar Pomerado Healthcare District	29.514	91,070,854	
City of Poway Community Facilities District No. 88-1	100.	19,840,000	
South Poway Community Facilities District No. 1	100.	5,700,000	
Rancho Santa Fe Community Services District Community Facilities District No. 1	0.184	87,970	
1915 Act Bonds	Various	948,026	
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$327,476,442	
Less: City of San Diego Open Space Park District (100% self-supporting)		487,896	
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$326,988,546	

OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	4.636%	$ 16,382,465	
San Diego County Pension Obligations	4.636	45,742,388	
San Diego County Superintendent of Schools General Fund Obligations	4.636	794,842	
Palomar Community College District Certificates of Participation	20.095	1,479,997	
Poway Unified School District Certificates of Participation	57.327	73,129,501	
City of Poway Certificates of Participation	99.670	50,413,086	
City of San Diego General Fund Obligations	6.960	32,087,340	
City of Santee General Fund Obligations	0.005	90	
TOTAL OVERLAPPING GENERAL FUND DEBT		$220,029,709	
GROSS COMBINED TOTAL DEBT		$547,506,151	(3)
NET COMBINED TOTAL DEBT		$547,018,255	

(1) Based on 2007-08 ratios.
(2) Excludes issue to be sold.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2008-09 Assessed Valuation:

Direct Debt	**- %**
Total Gross Direct and Overlapping Tax and Assessment Debt	1.63%
Total Net Direct and Overlapping Tax and Assessment Debt	1.63%

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt	3.36%
Net Combined Total Debt	3.36%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: $0

Source: California Municipal Statistics, Inc.

THE SCHOOL DISTRICT

The information in this Section concerning the School District is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the Accreted Value of the Series A Bonds is payable from the general fund of the School District. The Series A Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE SERIES A BONDS – Security" herein.

General Information

The Poway Unified School District (the "School District") is located north of the City of San Diego (the "City"). The School District was originally formed in 1962. The School District currently covers approximately 100 square miles in the central portion of the County of San Diego (the "County") and includes the City of Poway and portions of the City and the County, including the communities of 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Poway, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santa Fe Valley, Santaluz and Torrey Highlands. The School District currently operates twenty-five (25) elementary schools, six (6) middle schools, four (4) high schools, one (1) continuation high school and one (1) adult school. The School District had approximately 33,282 students enrolled during Fiscal Year 2007-08 and estimates approximately 33,306 of students enrolled during Fiscal Year 2008-09.

Administration

The School District is governed by the Board of Education (the "Board"). The five Board members are elected to four-year terms in alternate slates of three and two in elections held every two years. If a vacancy arises during any term, the vacancy is filled by an appointment by a majority vote of the remaining Board members and, if there is no majority, by a special election. Current members of the Board, together with their office and the date their term expires, are listed below:

Board Member	Office	Current Term Expires
Andy Patapow	President	December 1, 2012
Todd Gutschow	Vice-President	December 1, 2012
Penny Ranftle	Clerk	December 1, 2010
Jeff Mangum	Member	December 1, 2010
Linda Vanderveen	Member	December 1, 2010

The administrative staff of the School District includes Donald A. Phillips, Ed.D., Superintendent, John P. Collins, Ed. D., Deputy Superintendent, and Malliga Tholandi, Chief Financial Officer.

The Superintendent of the School District is responsible for administering the affairs of the School District in accordance with the policies of the Board. The School District also employs a Deputy Superintendent, a Chief Financial Officer, an Associate Superintendent and two Assistant Superintendents for Learning Support Services.

Enrollment

From Fiscal Year 2003-04 through Fiscal Year 2007-08 the School District's enrollment has been stable. See the table in "DISTRICT FINANCIAL INFORMATION – State Funding of Education" for information concerning enrollment for these years.

Labor Relations

As of September 1, 2008, the School District employed approximately 1,908 certificated employees and approximately 1,838 classified employees. The certificated employees, except management and some part-time employees, are represented by the bargaining units as noted below:

Poway Unified School District
District Employees

Labor Organization	Approximate Number of Employees In Organization	Contract Expiration Date
Poway Federation of Teachers (PFT), Local 2357	1,687	6/30/09
Service Employees International Union	493	6/30/10
California School Employees Association	1,266	6/30/09

Source: School District.

Retirement Programs

The School District participates in the State of California Teachers' Retirement System ("STRS"). This plan covers certificated employees. The School District's contribution to STRS for Fiscal Year 2004-05 was $9,450,619, in Fiscal Year 2005-06 was $10,013,458, in Fiscal Year 2006-07 was $10,869,404, in Fiscal Year 2007-08 was $11,418,456 and the Fiscal Year 2008-09 budget was $11,192,021. 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. At a meeting in September 2006, the Board of STRS approved guiding principles for proposed legislation to address a long-term funding gap, which include the possibility of increasing contributions among members, school districts and the State incrementally over time.

The School District also participates in the State of California Public Employees' Retirement Systems ("PERS"). This plan covers certificated employees who elect and all classified personnel who are employed 1,000 or more hours per fiscal year. The School District's contribution to PERS for Fiscal Year 2004-05 was $4,856,272, in Fiscal Year 2005-06 was $4,867,201, in Fiscal Year 2006-07 was $4,430,814, in Fiscal Year 2007-08 was $4,798,874 and the Fiscal Year 2008-09 budget was $5,078,343.

Contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as changes in retirement benefits. The contribution rates are based on state-wide rates set by the STRS and PERS retirement boards. STRS has a substantial state-wide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the School District's share.

The School District offers post retirement benefits for employees up to age 65. The School District's contribution for these benefits for the Fiscal Year ending June 30, 2005, was $651,520, for the Fiscal Year ending June 30, 2006, was $758,340, for the Fiscal Year ending June 30, 2007, was $942,340, for the Fiscal Year ending June 30, 2008, was $1,134,471 and the School District budgeted approximately $1,158,386 for Fiscal Year 2008-09. The program is operated on a pay-as-you go basis and budgets the current costs each year with an increase based on actual health and welfare increases. See "DISTRICT FINANCIAL INFORMATION – District Obligations – *Other Post Employment Benefits*."

Insurance

The School District maintains commercial insurance or self-insurance for property damage, general liability and workers' compensation in such amounts and with such retentions and other terms as the School District believes to be adequate based on actual risk exposures and as may be required by statute.

In 1998, the State of California authorized the School District to operate a Self-Insured Workers' Compensation Plan to finance liabilities arising from employee industrial injuries. The School District responded by implementing such a plan on July 1, 1998. Effective July 1, 2005, the School District joined a fully insured workers' compensation Joint Powers Authority ("JPA") known as the Protected Insurance Program for Schools ("PIPS"). The School District retains responsibility for all previous self-insured claims and will manage them until they close. Keenan & Associates is the claims administrator for both self-insured and PIPS claims.

The School District operates a self-insurance program to cover general liability claim losses up to a limit of $50,000 per claim, and for property losses up to $5,000 per claim. Lower self-insured retentions apply to boiler and machinery/energy systems ($1,000 per claim) and crime losses ($500 per claim). Excess property and liability insurance is acquired through membership in a joint powers authority, the Southern California Regional Liability Excess Fund ("SCR"). The JPA provides general liability coverage up to $25,000,000 per occurrence (minus the $50,000 retention) and property loss coverage up to $250,000,000 per occurrence (minus the $5,000 retention).

DISTRICT FINANCIAL INFORMATION

The information in this Section concerning the operations of the School District and the School District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the Accreted Value of the Series A Bonds is payable from the general fund of the School District. The Series A Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE SERIES A BONDS – Security" herein.

Accounting Practices

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

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

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

Financial Statements

The School District's general fund finances the legally authorized activities of the School District for which restricted funds are not provided. General Fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the School District for the Fiscal Year ended June 30, 2008, and prior fiscal years are on file with the School District and available for public inspection at the office of the Deputy Superintendent of the Poway Unified School District, 13626 Twin Peaks Road, Poway, California 92064-3034, telephone number (858) 679-2552. The audited financial statements for the year ended June 30, 2008, are included in Appendix A hereto.

The following table shows information from the School District's audited financial statements for Fiscal Years 2004-05, 2005-06, 2006-07 and 2007-08.

AUDITED FINANCIAL STATEMENTS
POWAY UNIFIED SCHOOL DISTRICT

BALANCE SHEET – GENERAL FUND

	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008
Assets				
Cash in County Treasury	$11,065,246	$8,300,659	$12,610,196	$10,113,387
Cash on Hand and in Banks	250,825	302,310	354,728	384,707
Cash in Revolving Fund	75,000	75,000	107,500	107,303
Cash with Fiscal Agent/Trustee	11,025,133	15,150,375	10,070,363	–
Accounts Receivable	10,728,449	17,457,806	16,543,045	16,698,924
Due from Other Funds	1,724,390	1,109,100	2,610,833	3,413,551
Stores Inventories	248,328	240,266	276,271	264,769
Prepaid Expenditures	114,384	67,053	249,561	243,285
Total Assets	$35,231,755	$42,702,569	$42,822,497	$31,225,926
Liabilities and Fund Balance				
Liabilities:				
Accounts Payable	$4,446,646	$6,974,133	$4,730,301	$4,516,652
Due to Other Funds	2,227,540	1,568,437	1,956,060	6,026,326
Current Loans	10,825,000	15,000,000	10,000,000	–
Deferred Revenue	1,330,409	527,171	426,235	428,257
Total Liabilities	$18,829,595	$24,069,741	$17,112,596	$10,971,235
Fund Balance:				
Reserved Fund Balances:				
Reserved for Revolving Cash	$75,000	$75,000	$107,500	$107,304
Reserved for Stores Inventories	248,328	240,266	276,271	264,769
Reserved for Prepaid Items	114,384	67,053	249,561	243,285
Designated Fund Balances:			5,300,000	
Designated for Economic Uncertainties	4,500,000	4,900,000	19,776,569	5,448,739
Other Designated	–	–	–	130,000
Unreserved	11,464,448	13,350,509	19,776,569	14,060,594
Total Fund Balance	$16,402,160	$18,632,828	$25,709,901	$20,254,691
Total Liabilities and Fund Balances	$35,231,755	$42,702,569	$42,822,497	$31,225,926

Source: School District audited financial statements.

AUDITED FINANCIAL STATEMENTS
POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GENERAL FUND

FOR THE FISCAL YEARS ENDED JUNE 30

	2005	2006	2007	2008
Revenues				
Revenue Limit Sources:				
State Apportionments	$70,902,741	$70,969,899	$81,832,919	$81,177,029
Local Sources	86,479,977	94,234,657	97,394,869	106,205,478
Federal Revenue	10,688,985	9,343,363	8,974,698	8,629,280
Other State Revenue	40,975,086	45,239,944	61,161,462	51,598,543
Other Local Revenue	11,253,537	11,932,089	14,361,111	16,131,063
Total Revenues	$220,300,326	$231,710,952	$263,725,059	$263,741,393
Expenditures				
Instruction	$139,131,116	$145,664,507	$165,417,398	$172,262,905
Instruction - Related Services	24,968,094	26,066,537	28,735,690	30,779,702
Pupil Services	16,428,016	18,083,180	20,430,609	22,049,908
Ancillary Services	3,578,959	3,337,477	3,515,448	3,774,769
Community Services	350,914	101[(1)]	–	386,051
Enterprise	–	383,005	375,414	–
General Administration	10,230,582	11,085,339	11,396,421	12,221,175
Plant Services	20,655,753	22,094,912	25,829,173	25,946,511
Other Outgo	513,702	1,366,706	682,229	1,192,764
Debt Service:				
Principal	519,222	49,614	560,071	459,387
Interest	61,253	18,353	141,289	4,859
Total Expenditures	$216,437,601	$228,149,731	$257,083,742	$269,078,031
Excess (Deficiency) of Revenue Over (Under) Expenditures	3,862,725	3,561,221	6,641,317	(5,336,638)
Other Financing Sources (Uses)				
Operating Transfers In	139,840	1,685,703	1,829,722	3,310,354
Operating Transfers Out	(2,356,718)	(3,016,257)	(3,568,976)	(3,428,926)
Other Sources	--	–	2,175,010	–
Total Other Financing Sources (Uses)	($2,216,878)	($1,330,554)	$435,756	($118,572)
Net Change in Fund Balance	1,645,847	2,230,667	7,077,073	(5,455,210)
Fund Balance/Equity, July 1	14,756,313	16,402,161	18,632,828	25,709,901
Fund Balance/Equity, June 30	$16,402,160	$18,632,828	$25,709,901	$20,254,691

(1) Accounted for as "Instructions" in previous years.
Source: School District audited financial statements.

Budget Process

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

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

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the School District to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the School District to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved.

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

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

The School District's most recent Interim Financial Reports have received "positive" certifications pursuant to AB 1200.

General Fund Budget

The School District's General Fund budgets (audited, estimated actual or budgeted, as applicable) for the Fiscal Years ending June 30, 2005, through June 30, 2009, are set forth below:

GENERAL FUND BUDGET
FISCAL YEARS ENDING JUNE 30, 2005, 2006, 2007, 2008 AND 2009

	Audited Actual 2005	Audited Actual 2006	Audited Actual 2007	Audited Actual 2008	Budget 2008-09(1)
Revenues					
Revenue Limit Sources:					
State Apportionments	$70,902,741	$70,969,899	$81,832,919	$81,177,029	$73,791,650
Local Sources	86,479,977	94,234,657	97,394,869	106,205,476	114,309,495
Federal Revenue	10,688,985	9,343,363	8,974,698	8,629,281	7,739,005
Other State Revenue	40,975,086	45,239,944	61,161,462	51,598,542	50,354,664
Other Local Revenue	11,253,537	11,932,089	14,361,111	16,131,064	11,084,646
Total Revenues	$220,300,326	$231,710,952	$263,725,059	$263,741,392	$257,279,460
Expenditures					
Instruction	$139,131,116	$145,664,507	$165,417,398	$172,262,905	$166,821,944
Instruction - Related Services	24,968,094	26,066,537	28,735,690	30,779,701	27,605,048
Pupil Services	16,428,016	18,083,180	20,430,609	22,049,908	20,998,458
Ancillary Services	3,578,959	3,337,477	3,515,448	3,774,770	2,978,166
Community Services	350,914	101	–	386,051	260,081
General Administration	10,230,582	11,085,339	11,396,421	12,221,174	11,721,502
Plant Services	20,655,753	22,094,912	25,829,173	25,946,511	27,686,234
Other Outgo	513,702	1,366,706	682,229	1,192,765	944,480
Enterprise	–	383,005	375,414	–	–
Debt Service:					
Principal	519,222	49,614	560,071	459,387	–
Interest	61,253	18,353	141,289	4,859	–
Total Expenditures	$216,437,601	$228,149,731	$257,083,742	$269,078,031	$259,015,913
Excess (Deficiency) of Revenue Over (Under) Expenditures	3,862,725	3,561,221	6,641,317	(5,336,639)	(1,736,453)
Other Financing Sources (Uses)					
Operating Transfers In	139,840	1,685,703	1,829,722	3,310,354	1,651,290
Operating Transfers Out	(2,356,718)	(3,016,257)	(3,568,976)	(3,428,926)	(2,332,209)
Proceeds from Sale of Bonds	–	–	–	–	–
Other Sources	–	–	2,175,010	–	–
Other Uses	–	–	–	–	–
Total Other Financing Sources (Uses)	($2,216,878)	($1,330,554)	$435,756	($118,572)	($680,919)
Net Change in Fund Balance	1,645,847	2,230,667	7,077,073	(5,455,211)	(2,417,372)
Fund Balance/Equity, July 1	14,756,313	16,402,161	18,632,828	25,709,902	20,254,691
Fund Balance/Equity, June 30	$16,402,160	$18,632,828	$25,709,901	$20,254,691	$17,837,319

(1) Estimated Actuals.
(2) Fiscal Year 2008-09 Budget is the budget adopted by the Board on June 23, 2008.

Source: School District.

State Funding of Education

California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts.

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

The following table shows the School District's enrollment, A.D.A. and revenue limit per A.D.A. for the most recent five years. The School District's attendance rate in 2007-08 was approximately 96.7% and the A.D.A. in 2007-08 was approximately 32,365. Enrollment for Fiscal Year 2008-09 is estimated to be approximately the same and the District revenue limit per A.D.A. will be approximately $5,780.

ENROLLMENT, AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
FISCAL YEARS 2003-04 TO 2008-09
POWAY UNIFIED SCHOOL DISTRICT

Fiscal Year	Enrollment	Average Daily Attendance	Annual Change in A.D.A.	District Revenue Limit per A.D.A.
2003-04	33,051	31,817	–	$4,624
2004-05	33,915	31,797	0.06%	4,809
2005-06	32,645	31,590	0.65%	5,125
2006-07	32,873	31,817	0.72%	5,527
2007-08	33,282	32,075	0.81%	5,780
2008-09[(1)]	33,305	32,365	–	5,780

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

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(1) Estimated.
Source: California Department of Education and the School District.

Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

Revenue Sources

The School District categorizes its general fund revenues into four sources: (1) revenue limit sources (consisting of a mix of State and local revenues), (2) federal revenues, (3) other State revenues and (4) other local revenues. Each of these revenue sources is described below.

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

Funding of the School District's revenue limit is provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the School District's revenue limit and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools, Education for Economic Security, and the free and reduced lunch program. The federal revenues, most of which are restricted, comprised approximately 3.3% of general fund revenues in 2007-08 and are budgeted to equal approximately 3.0% of such revenues in 2008-09.

Other State Revenues. As discussed above, the School District receives State apportionment of basic and equalization aid in an amount equal to the difference between the School District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the School District receives substantial other State revenues.

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, School Improvement Program, Economic Impact Aid, Class Size Reduction Program, home-to-school transportation, instructional materials and mentor teachers. Other State revenues, excluding State Lottery Revenue, comprised approximately 19.6% of general fund revenues in 2007-08 and are budgeted to equal approximately 19.6 % of such revenues in 2008-09.

Other State revenues include the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues comprised approximately 1.7% of general fund revenues in 2007-08 and are budgeted to equal approximately 1.6% of such revenues in 2008-09.

Other Local Revenues. In addition to property taxes, the School District receives additional local revenues from items such as leases and rentals, interest earnings, transportation fees, interagency services, and other local sources. Other local revenues comprised approximately 6.1 % of general fund revenues in 2007-08 and are budgeted to equal approximately 4.3 % of general fund revenues in 2008-09.

District Obligations

General Obligation Bonds. The Improvement District is authorizing the issuance of the Series A Bonds. In addition, Improvement Area No. 2002-1 of the Poway Unified School District of Improvement District No. 2002-1 of the Poway Unified School District has authorized the issuance of up to $179,000,000 of bonds, and on or about the date of issuance of the Series A Bonds, is expected to issue its third series of bonds, such that most or all of such authorized bonds will be issued and outstanding. The annual debt service for the Series A Bonds is shown in "DEBT SERVICE SCHEDULE" herein.

Other Post Employment Benefits. The School District offers post retirement benefits for employees up to age 65. The School District's contribution for these benefits was $942,340 for the Fiscal Year ending June 30, 2007, and $1,134,471 for the Fiscal Year ending June 30, 2008, and the School District budgeted approximately $1,158,386 for the Fiscal Year ending June 30, 2009. The program is operated on a pay-as-you go basis and budgets the current costs each year with an increase based on actual health and welfare increases. See "THE SCHOOL DISTRICT – Retirement Programs."

Capital Leases. The School District leases facilities and equipment under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments as of June 30, 2008, are set forth below. The principal component under such agreements aggregate $5,305,116. In its discretion, the School District may use a portion of the proceeds of the Series A Bonds to prepay a portion of the leases resulting in a reduction in the lease payments from those presented below.

Year Ending June 30	Lease Payments (including interest)
2008	$1,332,711
2009	1,192,672
2010	1,187,956
2011	1,040,695
2012	551,082
Total Minimum Lease Payments	$5,305,116
Less amount representing interest	(478,302)
Present Value of Net Minimum Lease Payments	$4,826,814

Source: School District.

Tax and Revenue Anticipation Notes. The School District entered into the San Diego Area Local Governments 2008 Pooled Tax and Revenue Anticipation Notes in the amount of $18,000,000 with an interest rate to yield of 3.5%. The notes mature on June 30, 2009, and were sold to supplement the School District's cash flow.

Public Financing Authority Lease Revenue Bonds. On June 19, 2008, the Poway Unified School District Public Financing Authority sold its Poway Unified School District Public Financing Authority Lease Revenue Bonds, Series 2008 in the aggregate principal amount of $92,681,499.35 for the use of the real property on which the Westview High School is located, together with the buildings and other improvements located on such site. The property is leased by the School District from the Poway Unified School District Public Financing Authority (the "Authority") pursuant to a Lease Agreement, dated as of June 1, 2008, by and between the School District and the Authority. This is part of the School District's Bond Advancement Program.

Community Facilities Districts. Development of property located within the School District has caused a need for school facility funding. To finance these additional school facilities, the School District has to date formed 14 community facilities districts pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the Government Code of the State). The following table sets forth the formation date, the authorized debt, the amount of authorized debt issued (the "Special Tax Bonds"), and the amount of remaining debt authorized for each community facilities district ("CFD") formed by the School District. The principal of and interest on the special tax bonds is not payable from the General Fund of the District. The annual payments for the special tax bonds are secured solely by the annual special tax levied on taxable property in the respective community facilities districts established by the District, and are not debts of the District.

CFD	Formation Date	Authorized Debt	Amount Issued	Remaining Authorization[1]
CFD No. 1	May 26, 1987	$138,251,618[2]	$85,815,835.10[2]	N/A [2]
CFD No. 2	December 15, 1997	80,000,000	14,233,847	$65,766,153
CFD No. 3	September 22, 1997	13,000,000	5,485,000	7,515,000
CFD No. 4	December 15, 1997	32,000,000	11,989,000	20,011,000
CFD No. 5	August 4, 1997	5,000,000	1,670,000	3,330,000
CFD No. 6	March 24, 1998	130,000,000	107,215,000	22,785,000
CFD No. 6 Improvement Area A	October 21, 2002	18,000,000	18,000,000	-0-
CFD No. 6 Improvement Area B	October 21, 2002	30,000,000	30,000,000	-0-
CFD No. 6 Improvement Area C	October 21, 2002	14,000,000	-0-	14,000,000[3]
CFD No. 7	August 24, 1998	15,000,000	1,545,000	13,455,000
CFD No. 8 Improvement Area A	December 17, 1998	80,000,000	-0-	80,000,000
CFD No. 8 Improvement Area B	December 17, 1998	20,000,000	7,329,000	12,671,000
CFD No. 9	November 16, 1998	15,000,000	1,711,000	13,289,000
CFD No. 10 Zone 1 and 2	August 27, 2001	45,000,000	38,230,000	6,770,000
CFD No. 10 Improvement Area A	August 27, 2001	13,000,000	9,700,000	3,300,000[3]
CFD No. 10 Improvement Area B	August 27, 2001	9,000,000	6,345,000	2,655,000[3]
CFD No. 10 Improvement Area C	August 27, 2001	3,000,000	3,000,000	-0-
CFD No. 10 Improvement Area D	August 27, 2001	7,000,000	5,125,000	1,875,000[3]
CFD No. 10 Improvement Area E	August 27, 2001	7,500,000	5,750,000	1,750,000[3]
CFD No. 10 Improvement Area F	August 27, 2001	3,500,000	-0-	3,500,000[3]
CFD No. 11 Zone 1, 2, 3 and 4	January 20, 2004	60,000,000	9,000,000	51,000,000
CFD No. 11 Improvement Area A	January 20, 2004	13,500,000	11,000,000	2,500,000[3]
CFD No. 11 Improvement Area B	January 20, 2004	10,900,000	9,035,000	1,865,000[3]
CFD No. 11 Improvement Area C	January 20, 2004	17,400,000	13,475,000	3,925,000[3]
CFD No. 12	June 24, 2002	18,000,000	7,689,087	10,310,913
CFD No. 13	March 12, 2007	20,000,000	-0-	20,000,000
CFD No. 14	January 17, 2006	75,000,000	51,515,000	23,485,000
CFD No. 14 Improvement Area A	January 17, 2006	75,000,000	51,495,000	23,505,000

(1) The remaining authorization does not necessarily reflect amounts that may be issued due to special tax constraints under each rate and method of apportionment or other factors.
(2) With respect to CFD No. 1, the authorized indebtedness is stated in 1986-87 dollars, which amount is subject to increase in accordance with a specified schedule. CFD No. 1 issued $8,000,000 of bonds in October, 1991, to finance school facilities, $80,000,000 of bonds in February 1998, to finance school facilities and to refund the 1991 Bonds, $5,815,835.10 of bonds in February 2003, to finance school facilities, and $48,420,000 of bonds in March 2008, to finance school facilities and to refund the 1998 Bonds. CFD No. 1 has covenanted not to issue additional bonds on a parity with the outstanding bonds except to refund the outstanding bonds.
(3) Special Tax bond proceeds are to be used for the construction of facilities or the reimbursement to developers for facilities ultimately owned and operated by other public agencies.

Source: School District.

Neither the full faith and credit nor the general taxing power of the School District or any political subdivision thereof is pledged to the payment of the Special Tax Bonds. The Special Tax Bonds are not general obligations of the School District or the Improvement District but are limited obligations payable solely from the proceeds of a special tax authorized pursuant to the Mello-Roos Act.

Assessed Valuations

The assessed valuation of property in the School District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

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

Property within the School District had a total assessed valuation after deducting redevelopment increment for Fiscal Year 2008-09 of $28,978,692,054 (unequalized). Shown in the following table are the assessed valuations for the School District.

ASSESSED VALUATION
POWAY UNIFIED SCHOOL DISTRICT
FISCAL YEARS 2004-05 TO 2008-09

Assessed Valuations

	Local Secured	Utility	Unsecured	Total Before Rdv. Increment	Total After Rdv. Increment
2004-05	$21,858,610,379	$1,342,918	$715,721,024	$22,575,674,321	$19,720,252,688
2005-06	24,632,553,645	1,342,918	745,788,657	25,379,685,220	22,125,392,480
2006-07	27,779,533,552	1,342,918	957,228,118	28,738,104,588	25,224,594,433
2007-08	30,601,157,671	1,342,918	861,911,099	31,464,411,688	27,716,249,254
2008-09	31,890,783,900	1,342,918	899,415,062	32,791,541,880	28,978,692,054

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the Improvement District's control, such as general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, flood, or toxic contamination, could cause a reduction in the assessed value of taxable property within the Improvement District and necessitate a corresponding increase in the annual tax rate.

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the School District as determined by secured assessed valuation in Fiscal Year 2008-09:

LARGEST LOCAL SECURED PROPERTY OWNERS
POWAY UNIFIED SCHOOL DISTRICT

Largest 2008-09 Local Secured Taxpayers

	Property Owner	Primary Land Use	2008-09 Assessed Valuation	% of Total[1]
1	Kilroy Realty LP	Office Building	$ 543,438,358	1.70%
2	M. S. Rialto the Lakes CA LLC	Residential Development	193,957,752	0.61
3	Sorrento West Properties Inc.	Industrial	190,415,835	0.60
4	Hewlett-Packard Co.	Industrial	143,047,658	0.45
5	Cymer Inc.	Office Building	130,951,567	0.41
6	Pacific Carmel Mountain Holdings LP	Office Building	122,776,259	0.38
7	Bernardo Summit LLC	Industrial	110,775,000	0.35
8	The Reserve at 4S Ranch LLC	Apartments	109,007,444	0.34
9	Brookfield 8 & 10 LLC	Residential Development	108,202,713	0.34
10	Point Office Partners LLC	Office Building	91,800,000	0.29
11	Sony Electronics Inc.	Industrial	90,736,825	0.28
12	Slough Poway I LLC	Industrial	77,736,916	0.24
13	Alliance I LLC	Apartments	77,197,379	0.24
14	Bernardo Technology Partners LLC	Office Building	76,944,994	0.24
15	4S Regency Partners LLC	Shopping Center	76,269,139	0.24
16	BRE Properties Inc.	Apartments	73,592,185	0.23
17	BAE Systems Mission Solutions Inc.	Industrial	73,505,120	0.23
18	PDP Pomerado LLC	Office Building	69,558,551	0.22
19	Apple Seven Hospitality Ownership Inc.	Hotel	68,493,000	0.21
20	Arden Realty LP	Office Building	67,120,742	0.21
			$2,495,527,437	7.83%

[1] 2008-09 Local Secured Assessed Valuation: $31,890,783,900

Source: California Municipal Statistics, Inc.

LEGAL MATTERS

Tax Matters

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law, the interest on the Series A Bonds is excluded from gross income for federal tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; although it should be noted that for purposes of calculating the alternative minimum tax imposed on corporations, such interest will be excluded as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Series A Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The School 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 Series A Bonds. Bond Counsel expresses no opinion regarding other tax consequences arising with respect to the Series A Bonds.

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

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

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

Original Issue Discount; Premium Bonds

To the extent the issue price of any maturity of the Series A Bonds (e.g. the Capital Appreciation Bonds) is less than the amount to be paid at maturity of such Series A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the Series A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series A Bonds is the first price at which a substantial amount of such maturity of the Series A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series A Bonds accrues daily over the term to maturity of such Series A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series A Bonds to determine taxable gain or loss upon disposition (including sale or payment on maturity) of such Series A Bonds. Owners of the Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the Series A Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series A Bonds in the original offering to the public at the first price at which a substantial amount of such Series A Bonds is sold to the public.

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

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

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners of the Series A Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series A Bonds. Prospective purchasers of the Series A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion.

Continuing Disclosure

The School District has covenanted for the benefit of registered owners and Beneficial Owners of the Series A Bonds to provide certain financial information and operating data relating to the School District (the "Annual Report") by not later than seven months following the end of the School District's Fiscal Year (which shall be February 1 of each year, so long as the School District's Fiscal Year ends on June 30), commencing with the report for the 2008-09 Fiscal Year (which will be due not later than February 1, 2010), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the School District with each Nationally Recognized Municipal Securities Information Repository and with the appropriate State information depository, if any. The notices of material events will be filed by the School District with each Nationally Recognized Municipal Securities Information Repository or with the Municipal Securities Rulemaking Board, and with the appropriate State information depository, if any. The specific nature of the information to be made available and to be contained in the notices of material events is set forth in Appendix D – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The School 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.

Legality for Investment in California

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

Absence of Material Litigation

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

RATINGS

Moody's Investors Service and Standard & Poor's have assigned ratings of "Aa3" and "AA-," respectively, to the Series A Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies furnishing the same, at the following addresses: Moody's Investors Service, 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217; Standard & Poor's Ratings Group, 55 Water Street, 45th Floor, New York, New York 10041. Generally, a rating agency bases it rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. Some information provided to the rating agencies by the School District may not appear in this Official Statement. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Series A Bonds.

UNDERWRITING

The Series A Bonds were purchased by Stone & Youngberg LLC (the "Underwriter"). The Underwriter has agreed to purchase the Series A Bonds at a price of $73,998,935.75, which is equal to the principal amount of the Series A Bonds, plus a net premium of $769,588.93 (gross premium in the amount of $9,544,566.70, less the costs of issuance of $725,000.00 and less the payment of costs of issuance and certain carry costs relating to the Bond Advancement Program of $8,049,977.77), less Underwriter's discount of $769,588.93. The Bond Purchase Contract relating to the Series A Bonds provides that the Underwriter will purchase all of the Series A Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

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

ADDITIONAL INFORMATION

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

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

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

Some of the data contained herein has been taken or constructed from District records. This Official Statement has been approved by the School District Board of Education.

POWAY UNIFIED SCHOOL DISTRICT

By /s/ John P. Collins, Ed.D.
John P. Collins, Ed.D., Deputy Superintendent
of the Poway Unified School District

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT

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POWAY UNIFIED SCHOOL DISTRICT
COUNTY OF SAN DIEGO
POWAY, CALIFORNIA

AUDIT REPORT

JUNE 30, 2008

WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
250 E Douglas Ave.
El Cajon, CA 92020
Ph (619) 447-6700 Fax (619) 447-6707

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Introductory Section

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Poway Unified School District
Audit Report
For The Year Ended June 30, 2008

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For The Year Ended June 30, 2008

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WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
250 E Douglas Ave.
El Cajon, CA 92020
Ph (619) 447-6700 Fax (619) 447-6707

Independent Auditor's Report on Financial Statements

Board of Trustees
Poway Unified School District
Poway, California 92064-2098

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Poway Unified School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Poway Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, the business-type activities, each major fund, and the aggregate remaining fund information of Poway Unified School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of Poway Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Poway Unified School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This 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.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 5, 2008

Poway Unified School District
Management's Discussion and Analysis
Fiscal Year 2007-08
(Unaudited)

Profile of the District

Poway Unified School District (District) was formed in 1962 and serves the children of Poway, Rancho Bernardo, Rancho Penasquitos, Carmel Mountain Ranch, Sabre Springs, Black Mountain Ranch, Torrey Highlands, 4S Ranch and Santa Fe Valley. It is the 3rd largest district in San Diego County and the 26th largest district in the state of California. The district covers nearly 100 square miles in north-east San Diego County housing 33,282 students in 34 schools.

Management's Discussion and Analysis

This section of Poway Unified School District's annual financial report presents Management's Discussion and Analysis (MD&A) of the District's financial performance during the year ending June 30, 2008. The MD&A is required as an element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. The District implemented GASB 34 in 2001-02. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

Comparisons to the Previous Fiscal Year 2006-07

- In 2007-08, the district's Net Assets is $202.9 million compared to $206.2 million in 2006-07.
- In 2007-08, overall revenues were $360.2 million and expenses were $363.8 million. The district's revenue is less than expenses by $3.6 million. In 2006-07 the district's overall revenues were $ 360.6 million and expenses were $ 384.6 million.
- In 2007-08, Expenses exceeded revenues by $3.5 million.
- The District enrollment in October 2007 was 33,282. This is an increase of 409 students from October 2006 when the enrollment was at 32,873.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds Governmental** *funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

  The District maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the Extended School Services enterprise fund (ESS), each of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

  The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget on page 46 of this report.

- **Proprietary funds** The District maintains two proprietary fund types; internal service funds and one enterprise fund.

  Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses three internal service funds to account for services provided to all the other funds of the District: workers' compensation, employee benefits, and property and liability insurance. The internal service funds have been included within *governmental activities* in the government-wide financial statements. The three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

  Enterprise funds are operated in a manner similar to private business where the determination of revenues earned, costs incurred and net income is necessary for management accountability. The District uses one enterprise fund to account for business activities of the Extended Student Services and Preschool programs.

  The basic proprietary fund financial statements can be found on pages 24-26 of this report.

- **Fiduciary funds Fiduciary** funds are used to account for resources held for the benefit of parties outside the governmental entity. The District maintains an agency fund for associated student body funds. The basic agency fund financial statements can be found on pages 27-28 of this report.

Notes to the financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-45 of this report.

Other information

The combining statements referred to earlier in connection with non-major governmental funds are presented on pages 48-55 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's stability and financial position. The district's assets exceeded liabilities by $202.9 million at the close of 2007-08.

POWAY UNIFIED SCHOOL DISTRICT
2007-08 NET ASSETS
(In Millions of Dollars)

	Governmental Activities	Business Activities	Total District	Total Percentage
Current and Other Assets	$306.1	($0.4)	$305.7	29.0%
Capital Assets	$745.4	$3.3	$748.7	71.0%
Total Assets	**$1,051.5**	**$3.0**	**$1,054.5**	**100.0%**
Long-Term Debt Outstanding	$792.4	$0.0	$792.4	93.3%
Other Liabilities	$56.2	$0.4	$56.6	6.7%
Total Liabilities	**$848.6**	**$0.4**	**$849.0**	**100.0%**
Net Assets:				
Invested in Capital Assets, Net of Related Debt	$131.4	$0.0	$131.4	63.9%
Restricted	$30.9	$0.0	$30.9	15.0%
Unrestricted	$40.6	$2.6	$43.2	21.0%
Total Net Assets	**$202.9**	**$2.6**	**$205.5**	**100.0%**

- 63.9 percent of the District's net assets are invested in Capital Assets. 15.0 percent represents resources that are subject to external restrictions on how they may be used and 21.0 percent are unrestricted.

At the end of the 2007-08, the District is able to report positive balances in both categories of net assets.

Governmental activities. The key elements of the District's net assets for the year ended June 30, 2008 are as follows:

POWAY UNIFIED SCHOOL DISTRICT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

	2007-08	*% of Total*
Revenues		
Program Revenues		
Charges for services	$ 13,507,631	3.75%
Operating grants and contributions	56,492,106	15.68%
Capital grants and contributions	20,118,703	5.59%
General Revenues		
Property taxes	147,302,765	40.90%
Federal and state aid not restricted to specific purposes	99,574,334	27.65%
Interest and investment earnings	3,218,836	0.89%
Interagency revenues	643,949	0.18%
Miscellaneous	19,329,195	5.37%
Special and extraordinary items	-	0.00%
Total Revenues	**$ 360,187,519**	**100.00%**
Expenditures by Function		
Governmental Activities		
Instruction	$ 216,333,390	59.47%
Pupil services	30,472,489	8.38%
General administration	13,388,240	3.68%
Plant services	46,334,359	12.74%
Ancillary services	3,802,073	1.05%
Community services	395,679	0.11%
Enterprise activities	925,468	0.25%
Interest on long-term debt	32,749,909	9.00%
Other outgo	6,533,192	1.80%
Business-type Activities		
Enterprise activities	12,818,968	3.52%
Total Expenditures	**$ 363,753,767**	**100.00%**
Increase (Decrease) in Net Assets	**$ (3,566,248)**	
Net Assets - Beginning	**$ 209,103,580**	
Net Assets - Ending	**$ 205,537,332**	

- The district's total revenue this year is less from $360.6 million in FY 2006-07 to $360.2 million in FY 2007-08.
- State aid COLA (cost of living adjustment) in 2007-08 is 4.53 percent which is 1.39 percent less from last year. State aid is based primarily on average daily attendance (ADA) and other appropriations. If a student is in attendance for 180 days, the state awards the District one ADA. The state guarantees that if local taxes do not provide money equal to the base revenue limit guarantee it will make up the difference with state funding.
- The value of the base revenue limit during the year ended June 30, 2008 is $ 5,780.97.
- Expenses related to educating and caring for students (see Figure A-2) is 67.85 percent of the district's total expenditures.
- The administrative activities of the district are 3.68 percent of total expenditures.

8 YEAR REVENUE LIMIT TABLE

	Poway	% Increase	State Average	Difference
2000-01	$4,413	3.23%	$4,486	($73)
2001-02	$4,597	4.19%	$4,660	($63)
2002-03	$4,680	1.79%	$4,753	($73)
2003-04	$4,768	1.88%	$4,841	($73)
2004-05	$4,914	3.07%	$4,958	($44)
2005-06	$5,125	4.30%	$5,195	($70)
2006-07	$5,529	7.87%	$5,568	($39)
2007-08	$5,781	4.56%	$5,821	($40)

Figure A-1

2007-08 Revenue by Source
Government-wide Activities

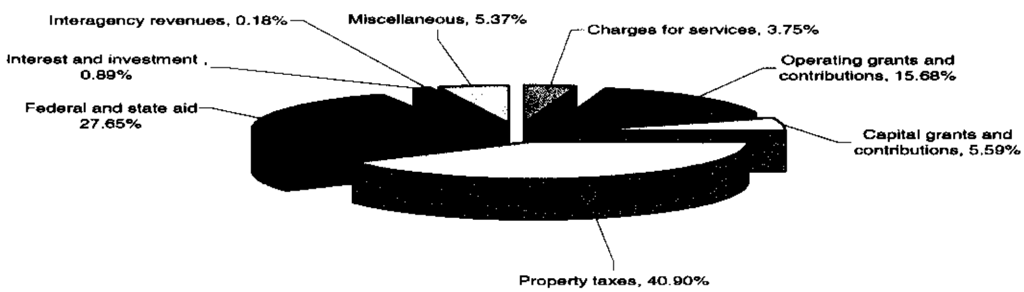
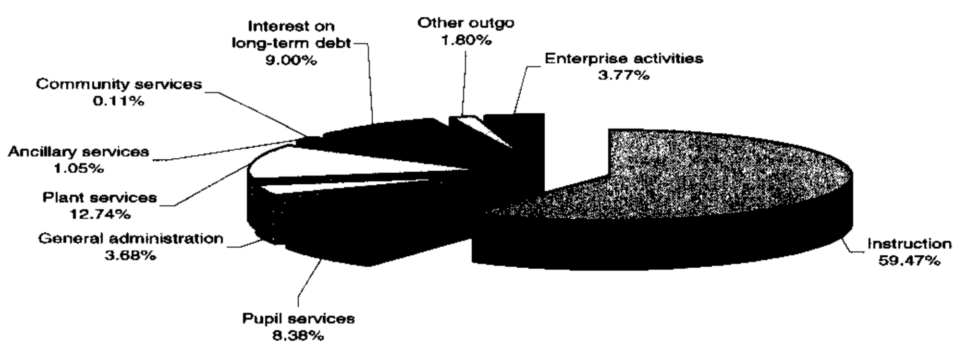


Figure A-2

2007-08 Expenditures by Function
Government-wide Activities



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of $202.9 million, $3.3 million less than last year's fund balance. In addition, the following fund balances should be noted:

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the District's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect limitations on the use of otherwise available expendable financial resources in governmental funds. The limitations include federal, state, donor-authorized and District self-imposed. Fund balances of debt service, capital projects, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion. The $ 17 million fund balance is primarily designated for the following purposes:

> *Designation for economic uncertainty reserve* As required by state law, the District has established an undistributed reserve within the general fund. This reserve is required to be at least 2% of general fund expenditures set aside for contingencies or possible reductions in state funding and is not to be used in the negotiation or settlement of contract salaries. As of June 2008, $ 5.45 million held in reserve meets the 2% requirement. The maintenance of a sufficient reserve is a key credit consideration in garnering excellent short-term and long-term bond ratings.
>
> *Restricted reserve for revolving cash fund* The District maintains $ 108,553 revolving cash fund for expediting emergency and small purchase reimbursement to employees.
>
> *Restricted reserve for stores inventories* Three departments maintain perpetual inventories to expedite and reduce cost through volume purchasing. The valuation as of June 30, 2008 was $613,805.
>
> *Restricted reserve for prepaid expense* The District Prepaid Expense as of June 30, 2008 was $243,285.
>
> *Designations for restricted balance* State, federal and donor authorized funding restrictions mandate that carryover balances of funds are restricted for those purposes in the next fiscal year. There was $ 10.6 million in restricted balances as of June 30, 2008.

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of $ 32.8 million or 12.9 % in total general fund expenditures budget.

- During the year, final budgeted revenues exceeded original budgetary estimates by $ 13.8 million or 5.4 %, to account for increases in federal and state aid and local donations.
- The actual expenditures were $ 15.1 million below final budgeted amounts.
- Variances primarily result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.
- For comparative purposes, the following table is presented to show General Fund actuals by Standardized Account Code Structure (SACS) functions and changes from fiscal year 2006-07 to 2007-08.

POWAY UNIFIED SCHOOL DISTRICT
GENERAL FUND - MAJOR FUND

Expenditures by Function	*% of Total*	*2007-08*	*Change*	*%*	*2006-07*
General Education Grades K-12	49.54%	$ 135,011,251	$ 2,615,731	2.0%	$ 132,395,520
Special Education	13.67%	37,251,654	4,229,779	12.8%	33,021,875
Instruction Related Services	5.54%	15,091,028	929,142	6.6%	14,161,886
School Administration	5.76%	15,688,674	1,114,870	7.6%	14,573,805
Pupil Services	4.37%	11,919,438	506,934	4.4%	11,412,504
Transportation	3.72%	10,130,470	1,112,363	12.3%	9,018,107
Ancillary, Co-curricular & Athletics	1.39%	3,774,769	259,321	7.4%	3,515,448
Community Services	0.14%	386,051	10,637	2.8%	375,414
General Administration	3.43%	9,348,046	447,324	5.0%	8,900,722
Central Data Processing	1.05%	2,873,129	377,429	15.1%	2,495,699
Maintenance & Operations	9.37%	25,524,049	662,011	2.7%	24,862,039
Facility Acquisition & Construction	0.00%	1,733	(524,767)	-99.7%	526,500
Facility Rents and Leases	0.15%	420,729	(19,906)	-4.5%	440,635
Other Outgo	1.87%	5,085,937	133,372	2.7%	4,952,565
Total	***100.00%***	***$ 272,506,958***	***$ 11,854,240***		***$ 260,652,718***
Final October CBEDS Enrollment		33,282	409		32,873
Expenditures per Student =		$ 8,187.82	$ 258.74	3.3%	$ 7,929.08

Note: Expenses for Cafeteria, Adult Ed., Construction, Preschool and Child Care Services are recorded in separate funds. They are not included in the above figures.

- The expenditure per student went up 3.3 % from $ 7,929.08 to $ 8,187.82.

Capital Asset and Debt Administration

Capital Assets. The state school facility fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. Renovation and modernization of older schools funded from the proceeds of the General Obligation Bond are still ongoing.

Capital assets at June 30, 2008 and June 30, 2007 are outlined below:

POWAY UNIFIED SCHOOL DISTRICT
CAPITAL ASSETS NET OF DEPRECIATION
Governmental Activities

	June 30, 2008	*June 30, 2007*	*Total Change*
Land	$ 69,003,074	$ 66,851,733	$ 2,151,341
Improvement of Sites	19,974,930	16,195,219	3,779,711
Buildings	320,775,965	265,546,200	55,229,765
Equipment	9,537,956	10,498,549	(960,593)
Work in Progress	326,154,997	192,809,404	133,345,593
Total Capital Assets	***$ 745,446,921***	***$ 551,901,105***	***$ 193,545,816***

Additional information on the District's capital assets can be found in Note E to the basic financial statements.

Debt Administration. The District has General Obligation Bonds. This is a voter-approved $198 million bond specifically for the purpose of renovating 24 of the District's older schools.

In May 2004, the District's Board of Education approved a plan to accelerate the completion of Proposition U building projects from the year 2015 to a date as early as 2009. This plan provides an interim financing program that will be paid back from the final Proposition U Bond sales scheduled for 2009 and 2013. This interim financing will bridge the gap between the bond sales date and the accelerated construction program.

As of June 30, 2008, the district has two General Obligation Bonds the $75 million General Obligation Bonds, Series A and the General Obligation Bonds, Series B for $119 million.

The District has formed various CFDs to secure school facilities for students that will be generated from new housing developments. These bonds are not obligations of the general fund of the District and are secured by taxes generated by home owners and developers. There are twenty-one bonds under the Community Facilities Districts (CFD) as of June 30, 2008.

CFD #1 issued $80 million in debt in February of 1998 for construction of school facilities. CFD #10 issued $16.045 million in October of 2001 with the District as the lead agency for capital infrastructure improvement areas A and B. There were 6 bonds issued by the CFD in 2002-03. CFD # 1 issued $ 5.82 million, CFD # 6 issued $ $25 million, CFD # 10E issued $5.75 million, CFD # 10D issued $ 5.12 million, CFD # 6 A issued $ 18 million, and the Public Financing Authority (PFA) issued $21.335 million. In addition, there were 3 bonds issued by the CFD in 2003-04. CFD # 10 1 A issued series C bonds for $ 3 million, CFD # 11 Zone 1 issued bonds for $ 9 million and CFD # 11 1A issued series A bonds for $ 11 million.

Two additional bonds have been issued in 2004-05 fiscal year: CFD # 11 Improvement Area B for $ 9 million and CFD # 11 Improvement Area C for $ 13.5 million.

In 2005-06, two bonds were issued by CFD # 6 (4s Ranch), Special Tax Bonds, Series 2005 for $44.3 million and Improvement Area B, 2005 Special Tax Bonds for $30 million. During this year, a new CFD was formed CFD # 14 (Del Sur). CFD # 14 issued two bonds; 2006 Special Tax Bonds for 51.5 million and Improvement Area A 2006 Special Tax Bonds for 51.5 million.

In 2006-07, Public Financing Authority (PFA), Series 2007 for $69.9 million was issued.

In 2007-08, CFD #1 has issued Series 2008 Special Tax Refunding Bonds for $48.4 million. CFD # 1 1998 Bonds were fully refunded and 2003 Bonds were partially refunded. During this year, CFD # 6 (4s Ranch) issued Special Tax Bonds, Series 2007 for $37.9 million.

Two Lease Revenue Bonds were issued in 2007-08 fiscal year, Series 2007 for 34.8 million and Series 2008 for 92.7 million. Part of the proceeds of Series 2008 was used to fully refund 2004 COP (Certificates of Participation).

Additional information on the District's long-term debt can be found in Note H to the basic financial statements.

Changing Enrollment within the District

The demographics of the District reflect an increasing trend in the high school population and a decreasing trend in the elementary and middle school population. Experience shows that the east side of the District is nearly built out and the west and south areas are busy with developments and new families. California voters approved Proposition 13 that not only limits the tax rate on property, but gives an incentive for owners to occupy longer resulting in slower turnover of homes to new families. This impacts the east side with declining enrollment. The District however has offsetting growth on the west side.

POWAY UNIFIED SCHOOL DISTRICT

Changes in CBEDS for Three Years

Grade	Oct 2005	Chg	Oct 2006	Chg	Oct 2007
K	2,268	9	2,277	216	2,493
1	2,351	(99)	2,252	11	2,263
2	2,343	74	2,417	(72)	2,345
3	2,322	106	2,428	78	2,506
4	2,432	(51)	2,381	136	2,517
5	2,424	36	2,460	(21)	2,439
6	2,481	34	2,515	19	2,534
7	2,557	(28)	2,529	74	2,603
8	2,676	(50)	2,626	(31)	2,595
9	2,613	104	2,717	(7)	2,710
10	2,795	(168)	2,627	132	2,759
11	2,755	44	2,799	(152)	2,647
12	2,628	217	2,845	26	2,871
TOTAL	**32,645**	**228**	**32,873**	**409**	**33,282**

	2005-06	Chg	2006-07	Chg	2007-08
Elementary K-5	14,140	75	14,215	348	14,563
Middle 6-8	7,714	(44)	7,670	62	7,732
High School 9-12	10,791	197	10,988	(1)	10,987
TOTAL	**32,645**	**228**	**32,873**	**409**	**33,282**

Requests for Information

This financial report is designed to provide a general overview of the Poway Unified School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Deputy Superintendent, Business Support Services, Poway Unified School District, 13626 Twin Peaks Road, Poway, CA 92064.

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Basic Financial Statements

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EXHIBIT A-1

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash in County Treasury	$ 37,092,836	$ 305,716	$ 37,398,552
Cash on Hand and in Banks	838,925	56,576	895,501
Cash in Revolving Fund	108,553	-	108,553
Cash with a Fiscal Agent/Trustee	202,631,562	-	202,631,562
Accounts Receivable	42,978,446	234,226	43,212,672
Internal Balances	960,411	(960,411)	-
Stores Inventories	613,804	-	613,804
Prepaid expenses	19,235,158	-	19,235,158
Capital Assets:			-
Land	69,003,074	-	69,003,074
Improvements	33,752,698	-	33,752,698
Buildings	386,681,317	4,767,384	391,448,701
Equipment	30,022,735	8,170	30,030,905
Work in Progress	326,154,997	-	326,154,997
Less accumulated depreciation	(100,167,901)	(1,433,133)	(101,601,034)
Total Assets	1,049,906,615	2,978,528	1,052,885,143
LIABILITIES:			
Accounts Payable	54,460,191	299,338	54,759,529
Deferred Revenues	55,169	85,636	140,805
Long term liabilities:			
Due Within One Year	13,672,783	-	13,672,783
Due in More Than One Year	778,774,694	-	778,774,694
Total Liabilities	846,962,837	384,974	847,347,811
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	131,439,909	3,345,339	134,785,248
Restricted for:			-
Capital Projects	8,000,000	-	8,000,000
Debt Service	12,000,000	-	12,000,000
Educational Programs	10,861,996	-	10,861,996
Unrestricted	40,641,873	(751,785)	39,890,088
Total Net Assets	$ 202,943,778	$ 2,593,554	$ 205,537,332

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Government Activities:				
Instruction	$ 183,153,158	$ 251,228	$ 31,215,679	$ 20,118,703
Instruction-Related Services	33,180,232	719,200	7,221,764	-
Pupil Services	30,472,489	7,346,212	6,716,513	-
Ancillary Services	3,802,073	2,094,601	183,082	-
Community Services	395,679	-	96,471	-
General Administration	13,388,240	245,810	615,032	-
Plant Services	46,334,359	1,167,170	4,745,373	-
Enterprise Activities	925,468	-	-	-
Interest on Long-Term Debt	32,749,909	-	-	-
Other Outgo	6,533,192	1,683,410	5,698,192	-
Total Governmental Activities	350,934,799	13,507,631	56,492,106	20,118,703
Business-type Activities:				
Enterprising Activities	12,818,968	-	-	-
Total Primary Government	$ 363,753,767	$ 13,507,631	$ 56,492,106	$ 20,118,703

General Revenues:
Taxes and Subventions
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
Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
$ (131,567,548)		$ (131,567,548)
(25,239,268)		(25,239,268)
(16,409,764)		(16,409,764)
(1,524,390)		(1,524,390)
(299,208)		(299,208)
(12,527,398)		(12,527,398)
(40,421,816)		(40,421,816)
(925,468)		(925,468)
(32,749,909)		(32,749,909)
848,410		848,410
(260,816,359)		(260,816,359)
	$ (12,818,968)	
(260,816,359)	(12,818,968)	(273,635,327)
147,302,765	-	147,302,765
99,574,334	-	99,574,334
3,186,235	32,601	3,218,836
643,949	-	643,949
6,818,726	12,510,469	19,329,195
257,526,009	12,543,070	270,069,079
(3,290,350)	(275,898)	(3,566,248)
206,234,128	2,869,452	209,103,580
$ 202,943,778	$ 2,593,554	$ 205,537,332

POWAY UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

		General Fund		Building Fund		County School Facilities Fund
ASSETS:						
Cash in County Treasury	$	10,113,387	$	443,488	$	433,198
Cash on Hand and in Banks		384,707		-		-
Cash in Revolving Fund		107,303		-		-
Cash with a Fiscal Agent/Trustee		-		72,565,314		-
Accounts Receivable		16,698,924		119,002		14,053,447
Due from Other Funds		3,413,551		78,615		-
Stores Inventories		264,769		-		-
Prepaid Expenditures		243,285		-		-
Total Assets	$	31,225,926	$	73,206,419	$	14,486,645
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts Payable	$	4,516,652	$	24,040,692	$	11,294,082
Due to Other Funds		6,026,326		941,970		3
Deferred Revenue		428,257		-		-
Total Liabilities		10,971,235		24,982,662		11,294,085
Fund Balance:						
Reserved Fund Balances:						
Reserve for Revolving Cash		107,304		-		-
Reserve for Stores Inventories		264,769		-		-
Reserve for Prepaid Items		243,285		-		-
Designated Fund Balances:						
Designated for Economic Uncertainties		5,448,739		-		-
Other Designated		130,000		-		-
Unreserved		14,060,594		48,223,757		3,192,560
Unreserved, reported in nonmajor:						
Special Revenue Funds		-		-		-
Debt Service Funds		-		-		-
Capital Projects Funds		-		-		-
Total Fund Balance		20,254,691		48,223,757		3,192,560
Total Liabilities and Fund Balances	$	31,225,926	$	73,206,419	$	14,486,645

The accompanying notes are an integral part of this statement.

Capital Project Fund For Blended Component Units	Debt Service Fund For Blended Component Units	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 18,933,249	$ 29,923,322
-	-	185,085	569,792
-	-	1,250	108,553
129,735,891	-	-	202,301,205
11,168,367	-	839,618	42,879,358
-	-	6,493,333	9,985,499
-	-	349,035	613,804
-	-	-	243,285
$ 140,904,258	$ -	$ 26,801,570	$ 286,624,818
$ 1,420,000	$ -	$ 462,874	$ 41,734,300
-	-	3,735,732	10,704,031
-	-	-	428,257
1,420,000	-	4,198,606	52,866,588
-	-	1,250	108,554
-	-	349,035	613,804
-	-	-	243,285
-	-	-	5,448,739
-	-	-	130,000
139,484,258	-	-	204,961,169
-	-	7,070,069	7,070,069
-	-	6,118,572	6,118,572
-	-	9,064,038	9,064,038
139,484,258	-	22,602,964	233,758,230
$ 140,904,258	$ -	$ 26,801,570	$ 286,624,818

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POWAY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances - governmental funds balance sheet		$ 233,758,230
Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets relating to governmental activities, at historical cost	845,585,125	
Accumulated depreciation	(100,147,114)	
Net		745,438,011
Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:		18,408,125
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. in the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(11,079,386)
Deferred recognition of earned but unavailable revenues: In governmental funds, revenue is recognized only to the extent that it is "available", meaning it will be collected soon enough after the end of the period to finance expenditures of that period. Receivables for revenues that are earned but unavailable are deferred until the period in which the revenues become available. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that were deferred as a liability in governmental funds, but are recognized in the government-wide statements, is:		373,090
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities are reported. Long-term liabilities relating to governmental activities consist of:		
General obligation bonds payable	176,685,766	
Net OPEB obligation	3,471,170	
Compensated absences payable	3,969,219	
Capital leases payable	3,628,665	
Lease revenue bonds payable	34,783,991	
Other general long-term debt	569,908,666	
Total		(792,447,477)
Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are:		8,493,185
Net assets of governmental activities - statement of net assets		$ 202,943,778

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Building Fund	County School Facilities Fund
Revenues:			
Revenue Limit Sources:			
State Apportionments	$ 81,177,029	$ -	$ -
Local Sources	106,205,476	-	-
Federal Revenue	8,629,281	-	-
Other State Revenue	51,598,542	-	20,056,105
Other Local Revenue	16,131,064	804,526	62,597
Total Revenues	263,741,392	804,526	20,118,702
Expenditures:			
Instruction	172,262,905	-	-
Instruction - Related Services	30,779,701	-	-
Pupil Services	22,049,908	-	-
Ancillary Services	3,774,770	-	-
Community Services	386,051	-	-
General Administration	12,221,174	-	-
Plant Services	25,946,511	80,935,652	17,018,375
Other Outgo	1,192,765	3,197,754	-
Debt Service:			
Principal	459,387	19,309,534	-
Interest	4,859	547,934	-
Total Expenditures	269,078,031	103,990,874	17,018,375
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,336,639)	(103,186,348)	3,100,327
Other Financing Sources (Uses):			
Transfers In	3,310,354	34,988,130	1,645,000
Transfers Out	(3,428,926)	(3,833,314)	(4,108,654)
Proceeds From Sale of Bonds	-	92,681,499	-
Other Sources	-	283,900	-
Total Other Financing Sources (Uses)	(118,572)	124,120,215	(2,463,654)
Net Change in Fund Balance	(5,455,211)	20,933,867	636,673
Fund Balance, July 1	25,709,902	27,289,890	2,555,887
Fund Balance, June 30	$ 20,254,691	$ 48,223,757	$ 3,192,560

The accompanying notes are an integral part of this statement.

Capital Project Fund For Blended Component Units	Debt Service Fund For Blended Component Units	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 81,177,029
-	-	-	106,205,476
-	-	1,820,546	10,449,827
-	-	2,896,237	74,550,884
41,285,656	-	16,852,303	75,136,146
41,285,656	-	21,569,086	347,519,362
-	-	1,356,949	173,619,854
-	-	531,419	31,311,120
-	-	7,335,591	29,385,499
-	-	-	3,774,770
-	-	-	386,051
-	-	285,637	12,506,811
119,521,270	-	6,241,627	249,663,435
4,495,742	-	-	8,886,261
-	56,215,835	2,724,228	78,708,984
-	23,494,136	8,687,022	32,733,951
124,017,012	79,709,971	27,162,473	620,976,736
(82,731,356)	(79,709,971)	(5,593,387)	(273,457,374)
-	79,709,971	6,312,178	125,965,633
(109,355,265)	-	(6,074,599)	(126,800,758)
121,113,991	-	-	213,795,490
2,042,724	-	-	2,326,624
13,801,450	79,709,971	237,579	215,286,989
(68,929,906)	-	(5,355,808)	(58,170,385)
208,414,164	-	27,958,772	291,928,615
$ 139,484,258	$ -	$ 22,602,964	$ 233,758,230

EXHIBIT A-6

POWAY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds		$ (58,170,385)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	204,451,473	
Depreciation expense	(10,982,702)	
Net		193,468,771

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:	78,708,983
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:	(218,269,321)

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

Issue costs incurred during the period	7,693,496	
Issue costs amortized for the period	(3,193,220)	
Net		4,500,276

Donated capital assets: In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as increases to capital assets, at their fair market value on the date of donation. The fair market value of capital assets donated was:	223,449
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	(14,051)
Earned but unavailable revenues: In governmental funds, revenues are recognized only to the extent that they are "available", meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period, is:	(98,364)
Unmatured interest on long-term debt: 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:	(60,414)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:	(65,812)
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	(3,471,170)
Cost write-off for canceled capital projects: If a planned capital project is canceled and will not be completed, costs previously capitalized as Work in Progress must be written off to expense. Costs written off for canceled projects were:	(126,414)
Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:	44,457
Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental for the statement of activities. The net increase or decrease in internal service funds was:	39,645
Change in net assets of governmental activities - statement of activities	$ (3,290,350)

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
ASSETS:		
Current Assets:		
Cash in County Treasury	$ 305,716	$ 7,169,514
Cash on Hand and in Banks	56,576	269,133
Cash with a Fiscal Agent/Trustee	-	330,357
Accounts Receivable	234,226	99,088
Due from Other Funds	65,450	1,783,264
Prepaid Expenditures	-	583,748
Total Current Assets	661,968	10,235,104
Noncurrent Assets:		
Fixed Assets-		
Buildings and Improvements	4,767,384	-
Accumulated Depreciation - Buildings	(1,430,215)	-
Equipment	8,170	29,696
Accumulated Depreciation - Equipment	(2,918)	(20,787)
Total Noncurrent Assets	3,342,421	8,909
Total Assets	$ 4,004,389	$ 10,244,013
LIABILITIES:		
Current Liabilities:		
Accounts Payable	$ 299,338	$ 1,646,505
Due to Other Funds	1,025,861	104,323
Deferred Revenue	85,636	-
Total Current Liabilities	1,410,835	1,750,828
Total Liabilities	1,410,835	1,750,828
NET ASSETS:		
Restricted Net Assets	-	583,748
Unrestricted Net Assets	2,593,554	7,909,437
Total Net Assets	$ 2,593,554	$ 8,493,185

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
Operating Revenues:		
Local Revenue	$ 12,543,070	$ 8,601,314
Total Revenues	12,543,070	8,601,314
Operating Expenses:		
Certificated Personnel Salaries	1,117,876	-
Classified Personnel Salaries	7,144,699	212,219
Employee Benefits	2,255,601	76,783
Books and Supplies	752,584	10,045
Services and Other Operating Expenses	1,441,099	9,091,808
Capital Outlay	107,109	5,939
Total Expenses	12,818,968	9,396,794
Income (Loss) before Contributions and Transfers	(275,898)	(795,480)
Interfund Transfers In	-	1,679,564
Interfund Transfers Out	-	(844,439)
Change in Net Assets	(275,898)	39,645
Total Net Assets - Beginning	2,869,452	8,453,540
Total Net Assets - Ending	$ 2,593,554	$ 8,493,185

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 12,391,401	$ 10,133,687
Cash Payments to Employees for Services	(8,262,577)	(212,219)
Cash Payments to Other Suppliers for Goods and Services	(4,220,664)	(9,973,533)
Net Cash Provided (Used) by Operating Activities	(91,840)	(52,065)
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	32,601	282,073
Net Cash Provided (Used) for Investing Activities	32,601	282,073
Net Increase (Decrease) in Cash and Cash Equivalents	(59,239)	230,008
Cash and Cash Equivalents at Beginning of Year	421,531	7,538,996
Cash and Cash Equivalents at End of Year	$ 362,292	$ 7,769,004
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ (275,898)	$ 39,645
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	107,109	5,939
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(140,768)	25,510
Decrease (Increase) in Due from other funds	(5,910)	109,372
Decrease (Increase) in Prepaid Expenses	-	(13,148)
Increase (Decrease) in Accounts Payable	47,575	142,389
Increase (Decrease) in Due to other funds	181,043	(79,699)
Increase (Decrease) in Deferred Revenue	27,610	-
Total Adjustments	216,659	190,363
Net Cash Provided (Used) by Operating Activities	$ (59,239)	$ 230,008

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust Fund	Agency Fund
	Foundation Private-Purpose Trust Fund	Student Body Fund
ASSETS:		
Cash in County Treasury	$ 717,804	$ -
Cash on Hand and in Banks	-	2,947,194
Accounts Receivable	6,335	-
Total Assets	$ 724,139	$ 2,947,194
LIABILITIES:		
Accounts Payable	$ 19,618	$ -
Due to Student Groups	-	2,947,194
Total Liabilities	19,618	2,947,194
NET ASSETS:		
Held in Trust	704,521	-
Total Net Assets	$ 704,521	$ -

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust Fund
	Foundation Private-Purpose Trust Fund
Additions:	
Investment Income	$ 36,507
Total Additions	36,507
Deductions:	
Administrative Expenses	73,114
Total Deductions	73,114
Change in Net Assets	(36,607)
Net Assets-Beginning of the Year	741,128
Net Assets-End of the Year	$ 704,521

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

Based on these criteria, the District has two component units, the Community Facilities Districts (CFD) and the Public Financing Authority. In addition, the District is not a component unit of any other reporting entity as defined by the GASB statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The District reports the following major governmental funds:

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

Building Fund. This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

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

Capital Project Fund for Blended Component Units. This fund is used to account for the transactions that are associated with the capital projects of the District's Community Facilities Districts (CFD) and the Public Financing Authority.

Debt Service Fund for Blended Component Units. This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units.

In addition, the District reports the following fund types:

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

Capital Projects Funds: These funds account for the acquisition and/or construction of all major governmental general fixed assets.

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

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

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

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

3. Encumbrances

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

4. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to $100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	45
Building Improvements	20
Vehicles	5-15
Office Equipment	5-15
Other Equipment	5-15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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

e. Compensated Absences

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

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

f. Deferred Revenue

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

g. Interfund Activity

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

h. Property Taxes

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

i. Fund Balance Reserves and Designations

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

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

j. Use of Estimates

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
None reported	Not applicable

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

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Excess of Expenditures Over Appropriations

As of June 30, 2008 expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
General Fund:	
Community services	$ 88,057
Other outgo	54,718
Debt service principal	522
Debt service interest	4,859

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool ($38,116,356 as of June 30, 2008). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $38,116,356. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks ($3,842,695 as of June 30, 2008) and in the revolving fund ($108,553) are insured up to $100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2008 are shown below.

Investment or Investment Type	Fair Value
Dreyfus treasury notes	$ 127,592,212
US Treasury Certificate	8,218,906
Cash and cash equivalents	474,592
FHLB Disc Note	37,262,213
FHLMC Disc Note	28,753,282
Guaranteed investment contract	330,357
Total Investments	$ 202,631,562

4. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

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

E. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 66,851,733	$ 2,151,341	$	$ 69,003,074
Work in progress	192,809,403	201,511,717	68,166,123	326,154,997
Total capital assets not being depreciated	259,661,136	203,663,058	68,166,123	395,158,071
Capital assets being depreciated:				
Buildings	323,532,807	63,148,510		386,681,317
Land improvements	28,682,386	5,070,312		33,752,698
Equipment	29,375,680	832,752	185,697	30,022,735
Total capital assets being depreciated	381,590,873	69,051,574	185,697	450,456,750
Less accumulated depreciation for:				
Buildings	(57,986,606)	(7,918,747)		(65,905,353)
Land improvements	(12,487,167)	(1,290,602)		(13,777,769)
Equipment	(18,877,132)	(1,779,292)	(171,645)	(20,484,779)
Total accumulated depreciation	(89,350,905)	(10,988,641)	(171,645)	(100,167,901)
Total capital assets being depreciated, net	292,239,968	58,062,933	14,052	350,288,849
Governmental activities capital assets, net	$ 551,901,104	$ 261,725,991	$ 68,180,175	$ 745,446,920

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated:				
Buildings	4,767,384	-	-	4,767,384
Equipment	8,170	-	-	8,170
Total capital assets being depreciated	4,775,554	-	-	4,775,554
Less accumulated depreciation for:				
Buildings	(1,324,274)	(105,941)	-	(1,430,215)
Equipment	(1,751)	(1,167)	-	(2,918)
Total accumulated depreciation	(1,326,025)	(107,108)	-	(1,433,133)
Total capital assets being depreciated, net	3,449,529	(107,108)	-	3,342,421
Business-type activities capital assets, net	$ 3,449,529	$ (107,108)	$ -	$ 3,342,421

Depreciation was charged to functions as follows:

Instruction	$ 7,437,558
Instruction-Related Services	1,531,464
Pupil Services	819,645
Ancillary Services	4,846
Community Services	2,450
Enterprise	12,084
General Administration	750,699
Plant Services	429,895
Business Type Activities	107,108
	$ 11,095,749

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2008 consisted of the following:

Due To Fund	Due From Fund	Amount
General Fund	General Fund	$ 266,332
General Fund	Adult Education Fund	335,351
General Fund	Child Development Fund	5,807
General Fund	Cafeteria Fund	420,613
General Fund	Building Fund	806,110
General Fund	Capital Facilities Fund	24,525
General Fund	County School Facilities Fund	3
General Fund	Special Reserve Fund	424,627
General Fund	Other Enterprise Fund	1,025,861
General Fund	Self-Insurance Fund	104,323
Adult Education Fund	General Fund	7,672
Cafeteria Fund	General Fund	549
Cafeteria Fund	Child Development Fund	259
Deferred Maintenance Fund	General Fund	1,500,000
Special Reserve Other	General Fund	791,000
Building Fund	General Fund	78,615
Special Reserve Fund	General Fund	1,557,994
Special Reserve Fund	Building Fund	135,860
Special Reserve Fund	Capital Facilities Fund	2,500,000
Other Enterprise Fund	General Fund	40,900
Other Enterprise Fund	Adult Education Fund	24,550
Self Insurance Fund	General Fund	1,783,264
	Total	$ 11,834,215

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2008 consisted of the following:

Transfers From	Transfers To	Amount
Building Fund	General Fund	$ 1,597,454
Building Fund	Special Reserve Fund	2,235,860
Capital Facilities Fund	Building Fund	3,000,000
Capital Facilities Fund	Special Reserve Fund	2,500,000
Capital Projects Fund	Building Fund	28,000,294
Capital Projects Fund	County School Facilities Fund	1,645,000
Capital Projects Fund	Debt Service Fund	79,709,971
Capital Projects Fund	Special Reserve Fund	1,639,897
County School Facilities Fund	Building Fund	3,987,836
County School Facilities Fund	General Fund	120,819
Deferred Maintenance Fund	General Fund	150,000
General Fund	Adult Education Fund	26,318
General Fund	Deferred Maintenance Fund	1,250,000
General Fund	General Fund	173,044
General Fund	Self-Insurance Fund	1,679,564
General Fund	Special Reserve Fund	300,000
Self-Insurance Fund	General Fund	844,439
Special Reserve Fund	General Fund	424,599
	Total	$ 129,285,095

G. Short-Term Debt Activity

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

Description	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes	$ 10,000,000	$	$ 10,000,000	$ -

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2008 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 178,680,766	$ -	$ 1,995,000	$ 176,685,766	$ 1,065,000
Capital leases	2,679,605	2,147,207	1,198,147	3,628,665	1,034,018
Certificates of participation	19,300,000	-	19,300,000	-	-
Lease revenue bonds	-	34,783,991	-	34,783,991	-
Special tax bonds	444,830,835	179,011,499	56,215,835	567,626,499	7,439,643
Bond premium	-	2,326,624	44,457	2,282,167	164,902
OPEB	-	3,471,170	-	3,471,170	-
Compensated absences *	3,903,406	65,813	-	3,969,219	3,969,220
Total governmental activities	$ 649,394,612	$ 221,806,304	$ 78,753,439	$ 792,447,477	$ 13,672,783

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, net of OPEB, at June 30, 2008 are as follows:

	Governmental Activities		
Year Ending June 30,	Principal	Interest	Total
2009	$ 13,672,781	$ 32,861,974	$ 46,534,755
2010	9,559,310	32,815,340	42,374,650
2011	10,956,337	33,090,809	44,047,146
2012	11,918,571	33,023,959	44,942,530
2013	12,812,221	33,950,894	46,763,115
2014-2018	83,577,443	175,954,037	259,531,480
2019-2023	108,687,212	167,627,476	276,314,688
2024-2028	162,244,115	134,189,783	296,433,898
2029-2033	200,031,563	95,060,599	295,092,162
2034-2038	132,050,763	36,328,201	168,378,964
2039-2043	43,465,991	8,639,851	52,105,842
Totals	$ 788,976,307	$ 783,542,923	$ 1,572,519,230

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2008, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

Bond Issue	Amount
2004 Certificates of Participation	19,300,000
2003 Special Tax Bonds	2,970,835
Total	22,270,835

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2008 as follows:

Year Ending June 30:	
2009	$ 1,192,670
2010	1,187,956
2011	1,040,695
2012	551,084
Total Minimum Lease Payments	3,972,405
Less Amount Representing Interest	(343,739)
Present Value of Net Minimum Lease Payments	$ 3,628,666

5. Lease Revenue Bonds, Series 2008

In June 2008 the District issued a series of lease revenue bonds totaling $92,681,499. The bonds are secured by lease payments from the district to the Poway Unified School District Public Financing Authority, for Westview High School. Legal provisions in the debt include a fully-funded reserve and rental interruption insurance covering two years of lease payments to offset abatement risk.

I. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPA) entities, the San Diego County Schools Risk Management (SDCSRM) and the Southern California Relief Property and Liability Insurance (SCR). The relationship between the District and the JPA's is such that the JPA's are not a component unit of the District.

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

Combined condensed unaudited financial information of the District's share of the San Diego County Schools Risk Management JPA for the year ended June 30, 2008 is as follows:

Total Assets	$	413,567
Total Liabilities		272,474
Total Fund Balance		141,093
Total Cash Receipts		1,532,332
Total Cash Disbursements		1,395,665
Net Change in Fund Balance		136,667

Combined condensed unaudited financial information of the District's share of the Southern California Relief Property and Liability Insurance JPA for the year ended June 30, 2008 was not available as of the date of this report.

J. Employee Retirement Systems

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

PERS:

Plan Description
The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy
Active plan members are required to contribute 7% of their salary (7% of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-08 was 9.32% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2008, 2007 and 2006 were $6,158,527, $5,598,960 and $4,867,201, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was $0.

STRS:

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

Funding Policy
Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-08 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2008, 2007 and 2006 were $11,588,843, $11,013,784 and $10,013,458, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was $8,856,563.

K. Postemployment Benefits Other Than Pension Benefits

Plan Description:
The Poway Unified School District (District) provides health benefit plans to eligible retirees to age 65. The postretirement health plans and the District's obligation vary by employee group as described below.

Poway Federated Teachers (PFT), APSM and Confidential Employees
The District provides health coverage for the retiree and any eligible dependent until the retiree reaches age 65. Eligible coverage includes medical/Rx, dental and vision benefits. Upon reaching age 65 or Medicare eligibility, retirees and their eligible spouses must enroll in Medicare. The District's contractual obligation is to pay for the health coverage of the retiree only for the least expensive medical, dental and vision plan regardless of which plan the retiree elects for coverage. The retiree is responsible for any health coverage elected for his/her eligible dependents.

To be eligible to receive retiree health coverage, the employee must be eligible for and retire under STRS/PERS and have at least 10 years of District eligible service at retirement. Upon reaching age 65, retirees can elect Medicare supplemental medical coverage but must pay the full cost for this coverage. Upon the death of the retiree, eligible spouses may continue coverage by paying the full cost of coverage.

California School Employees Association (CSEA)
Eligible employees can purchase retiree health coverage for themselves and their eligible dependents. Eligible coverage includes medical/Rx, dental and vision benefits. Upon reaching age 65 or Medicare eligibility, retirees and their eligible spouses must enroll in Medicare. To be eligible to purchase health coverage, the employee must be eligible for and retire under STRS/PERS/PARS and have at least 10 consecutive years of District eligible service at retirement.

Employees with at least 5 consecutive years of benefited eligible service may be eligible for a District contribution towards their retiree health coverage to age 65. The District's contribution will be based on a percentage of the cost for the least expensive medical plan for employee only coverage and will vary by years of District eligible service at retirement as follows:

Years of Service at Retirement	District Contribution Percentage
At least 15 years of service but less than 17	80%
At least 17 years of service but less than 20	90%
20 or more years of service	100%

Part-time employees will receive 100% of the District contribution if working between 7.76 and 8 hours, 92% of the District contribution if working between 6 and 7.75 hours and 73% of the District contribution if working between 4 and 5.99 hours.

Eligible retirees may purchase dental and vision coverage for themselves and medical, dental and vision coverage for their dependents on a self-pay basis. Upon the death of the retiree, eligible spouses may continue coverage by paying the full cost of coverage.

Service Employees International Union (SEIU) Employees
Eligible employees can purchase retiree health coverage for themselves and their eligible dependents. Eligible coverage includes medical/Rx, dental and vision benefits. Upon reaching age 65 or Medicare eligibility, retirees and their eligible spouses must enroll in Medicare. To be eligible to purchase health coverage, the employee must be eligible for and retire under STRS/PERS/PARS and have at least 10 consecutive years of District eligible service at retirement.

To be eligible to receive a District contribution for retiree health coverage, the employee must be eligible for and retire under STRS/PERS on or after July 1, 2007 and have at least 10 consecutive years of benefited service at retirement. The District's contribution will be based on a percentage of the cost for the least expensive medical plan for employee only coverage and will vary by years of District eligible service at retirement as follows:

Years of Service at Retirement	District Contribution Percentage
At least 10 years of service but less than 15	50%/$200
At least 15 years of service but less than 20	75%/$300
20 or more years of service	100%/$400

Part-time employees will receive 100% of the District contribution if working between 7.76 and 8 hours, 92% of the District contribution if working between 6 and 7.75 hours and 73% of the District contribution if working between 4 and 5.99 hours.

Board Members
Eligible retired board members can elect health coverage for themselves and their eligible dependents on a self-pay basis. Eligible coverage includes medical/Rx, dental and vision benefits.

Premium Rates
The premiums that are charged to the retiree for retiree and dependent medical coverage under age 65 are the same as the premiums charged for active medical coverage. Thus, the District is also providing a "rate subsidy" to the retirees by charging them a blended rate rather than a retiree only rate. GASB 45 requires that when an employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated and measured independently. This requires valuing any "rate subsidy" as an additional obligation to the District.

The following table summarizes the current ten monthly premiums and funding rates paid by the District on behalf of retirees. All premiums are experienced rated and effective for calendar year 2008.

	Health Net			
	Silver Network	Full Network	PPO	Seniority Plus
Employee (EE) Only	$486.08	$617.34	$652.93	N/A
Two Party	$1,037.47	$1,319.66	$1,396.21	N/A
EE Plus Family	$1,435.16	$1,822.36	$1,927.38	N/A
Single - Medicare Eligible	$264.80	$263.83	$373.80	$298.00
Two Party - Medicare Eligible	$534.61	$532.66	$752.60	$594.86
Two Party - One Medicare	$755.89	$886.17	$1,031.73	$840.19

	Kaiser	Other Benefits	
	Sr. Advantage	Dental Plan	Vision Plan
Employee (EE) Only	$479.33	$55.00	$7.87
Two Party	$932.63	$115.00	$13.60
EE Plus Family	$1,277.98	$170.00	$16.04
Single - Medicare Eligible	$282.61	$55.00	$7.87
Two Party - Medicare Eligible	$562.22	$115.00	$13.60
Two Party - One Medicare	N/A	$115.00	$13.60

Funding Policy

Beginning in the 2007-08 fiscal year, the District began to accrue the retiree health benefits in accordance with GASB Statement No. 45. The expense is generally accrued over the working career of employees. Under accrual accounting in accordance with GASB Statement No. 45 the District's expense for the fiscal year ended June 30, 2008 is $4,605,641.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other postemployment benefits (OPEB) cost (expense) is based on the annual required contribution of the employer (ARC). The District's expense is comprised of the present value of benefits accruing in the current year (normal cost) plus a 30 year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability (past service liability). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2008, the amount actually contributed to the plan, and charges in the District's net OPEB obligation to the plan:

Annual required contribution	$ 4,605,641
Contributions made	1,134,471
Increase in net OPEB obligation	3,471,170
Net OPEB obligations - beginning of year	-
Net OPEB obligations - end of year	$ 3,471,170

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2008 is as follows:

Fiscal Year Ended June 30	Annual OPEB Costs	Percentage of Annual OPEB cost Contributed	Net OPEB Obligation
2008	$ 4,605,641	24.63%	$ 3,471,170

Funded Status and Funding Progress
As of June 30, 2008, the accrued liability for benefits was $4,605,641, of which $3,471,170 is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $198,028,878, and the ratio of unfunded actuarial accrued liability to the covered payroll was 19.3%.

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

Assumptions
The following assumptions were made:

Retirement eligibility age: The earliest retirement age assumed for employees is age 55.

Participation rate: 100% of future active employees are assumed to elect retiree health coverage at retirement. Of those electing coverage approximately 30% are assumed to elect coverage for their spouse. Spouses are assumed to be the same age as the retiree.

Claim cost development: The valuation was based on the medical premiums furnished by the District. The average annual medical cost for a single participant under age 65 was determined to be $5,119. This cost includes medical and prescription drug. A claim cost curve was developed using an assumption for aging. This results in an expected claim cost at every age. Sample annual medical costs are provided in the following table.

Age	Annual Cost
50	$5,141
55	$5,959
60	$6,909
64	$7,776

The average annual dental and vision cost for a single participant was determined to be $550 for dental and $80 for vision.

Medical trend rates: The expected rate of increase in healthcare insurance premiums is shown in the following table

Year	Trend
2009	9.0%
2010	8.0%
2011	7.0%
2012	6.0%
2013+	5.0%

Dental and Vision trend rates: The expected rate of increase in dental and vision insurance premiums is shown below

Year	Trend
2009+	5.0%

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

Actuarial value of assets: Any assets of the plan will be valued on a market value basis.

L. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

M. Risk Management

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

All funds of the District participate in the program, but only the General Fund makes payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a liability for open claims and Incurred But Not Reported (IBNR) claims. The claims and liability of $1,288,232 is included in the liabilities under accounts payable and is reported in accordance with Financial Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated at the end of the fiscal year. Changes in the Internal Service Fund's claim liability in the fiscal year ended June 30, 2008 are indicated below:

Internal Service Fund:	Begining Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Year 2007-08	$ 1,379,154	$ 383,938	$ 474,860	$ 1,288,232

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Required Supplementary Information

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

POWAY UNIFIED SCHOOL DISTRICT **EXHIBIT B-1**
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Revenue Limit Sources:				
State Apportionments	$ 77,140,261	$ 81,177,029	$ 81,177,029	$ -
Local Sources	108,367,001	106,205,479	106,205,476	(3)
Federal Revenue	8,143,543	9,176,941	8,629,281	(547,660)
Other State Revenue	49,173,977	51,639,819	51,598,542	(41,277)
Other Local Revenue	9,541,287	16,705,499	16,131,064	(574,435)
Total Revenues	252,366,069	264,904,767	263,741,392	(1,163,375)
Expenditures:				
Instruction	161,318,797	182,690,406	172,262,905	10,427,501
Instruction - Related Services	27,648,510	33,010,673	30,779,701	2,230,972
Pupil Services	20,467,304	22,317,555	22,049,908	267,647
Ancillary Services	3,189,865	4,430,836	3,774,770	656,066
Community Services	316,135	297,994	386,051	(88,057)
Enterprise	-	1,113	-	1,113
General Administration	11,753,942	12,344,091	12,221,174	122,917
Plant Services	26,460,643	26,835,773	25,946,511	889,262
Other Outgo	1,046,525	1,138,047	1,192,765	(54,718)
Debt Service:				
Principal	78,350	458,865	459,387	(522)
Interest	-	-	4,859	(4,859)
Total Expenditures	252,280,071	283,525,353	269,078,031	14,447,322
Excess (Deficiency) of Revenues Over (Under) Expenditures	85,998	(18,620,586)	(5,336,639)	13,283,947
Other Financing Sources (Uses):				
Transfers In	2,055,387	3,310,358	3,310,354	(4)
Transfers Out	(2,539,122)	(4,122,193)	(3,428,926)	693,267
Total Other Financing Sources (Uses)	(483,735)	(811,835)	(118,572)	693,263
Net Change in Fund Balance	(397,737)	(19,432,421)	(5,455,211)	13,977,210
Fund Balance, July 1	25,709,902	25,709,902	25,709,902	-
Fund Balance, June 30	$ 25,312,165	$ 6,277,481	$ 20,254,691	$ 13,977,210

POWAY UNIFIED SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
POWAY UNIFIED SCHOOL DISTRICT HEALTH PROGRAM
YEAR ENDED JUNE 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Acturial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2008	$ -	$ 38,297,941	$ 38,297,941	-	$ 198,028,878	19.3%

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Combining Statements and Budget Comparisons as Supplementary Information

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

POWAY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	$ 4,989,595	$ 6,118,572	$ 7,825,082	$ 18,933,249
Cash on Hand and in Banks	185,085	-	-	185,085
Cash in Revolving Fund	1,250	-	-	1,250
Accounts Receivable	799,624	-	39,994	839,618
Due from Other Funds	2,299,479	-	4,193,854	6,493,333
Stores Inventories	349,035	-	-	349,035
Total Assets	$ 8,624,068	$ 6,118,572	$ 12,058,930	$ 26,801,570
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 417,134	$ -	$ 45,740	$ 462,874
Due to Other Funds	786,580	-	2,949,152	3,735,732
Total Liabilities	1,203,714	-	2,994,892	4,198,606
Fund Balance:				
Reserved Fund Balances:				
Reserve for Revolving Cash	1,250	-	-	1,250
Reserve for Stores Inventories	349,035	-	-	349,035
Unreserved, reported in nonmajor:				
Special Revenue Funds	7,070,069	-	-	7,070,069
Debt Service Funds	-	6,118,572	-	6,118,572
Capital Projects Funds	-	-	9,064,038	9,064,038
Total Fund Balance	7,420,354	6,118,572	9,064,038	22,602,964
Total Liabilities and Fund Balances	$ 8,624,068	$ 6,118,572	$ 12,058,930	$ 26,801,570

POWAY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	$ 1,820,546	$ -	$ -	$ 1,820,546
Other State Revenue	2,796,545	99,692	-	2,896,237
Other Local Revenue	6,488,746	9,343,959	1,019,598	16,852,303
Total Revenues	11,105,837	9,443,651	1,019,598	21,569,086
Expenditures:				
Instruction	1,356,949	-	-	1,356,949
Instruction - Related Services	531,419	-	-	531,419
Pupil Services	7,335,591	-	-	7,335,591
General Administration	260,971	-	24,666	285,637
Plant Services	2,765,911	-	3,475,716	6,241,627
Debt Service:				
Principal	-	1,995,000	729,228	2,724,228
Interest	-	8,557,393	129,629	8,687,022
Total Expenditures	12,250,841	10,552,393	4,359,239	27,162,473
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,145,004)	(1,108,742)	(3,339,641)	(5,593,387)
Other Financing Sources (Uses):				
Transfers In	1,576,318	-	4,735,860	6,312,178
Transfers Out	(150,000)	-	(5,924,599)	(6,074,599)
Total Other Financing Sources (Uses)	1,426,318	-	(1,188,739)	237,579
Net Change in Fund Balance	281,314	(1,108,742)	(4,528,380)	(5,355,808)
Fund Balance, July 1	7,139,040	7,227,314	13,592,418	27,958,772
Fund Balance, June 30	$ 7,420,354	$ 6,118,572	$ 9,064,038	$ 22,602,964

POWAY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008

	Adult Education Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	$ 513,501	$ 34,965
Cash on Hand and in Banks	3,272	-
Cash in Revolving Fund	-	-
Accounts Receivable	476,248	7,645
Due from Other Funds	7,672	-
Stores Inventories	-	-
Total Assets	$ 1,000,693	$ 42,610
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 122,612	$ 3,109
Due to Other Funds	359,902	6,065
Total Liabilities	482,514	9,174
Fund Balance:		
Reserved Fund Balances:		
Reserve for Revolving Cash	-	-
Reserve for Stores Inventories	-	-
Unreserved, reported in nonmajor:		
Special Revenue Funds	518,179	33,436
Total Fund Balance	518,179	33,436
Total Liabilities and Fund Balances	$ 1,000,693	$ 42,610

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
$ 2,603,330	$ 1,667,618	$ 170,181	$ 4,989,595
181,813	-	-	185,085
1,250	-	-	1,250
278,453	35,802	1,476	799,624
807	1,500,000	791,000	2,299,479
349,035	-	-	349,035
$ 3,414,688	$ 3,203,420	$ 962,657	$ 8,624,068
$ 259,133	$ 32,280	$ -	$ 417,134
420,613	-	-	786,580
679,746	32,280	-	1,203,714
1,250	-	-	1,250
349,035	-	-	349,035
2,384,657	3,171,140	962,657	7,070,069
2,734,942	3,171,140	962,657	7,420,354
$ 3,414,688	$ 3,203,420	$ 962,657	$ 8,624,068

POWAY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Adult Education Fund	Child Development Fund
Revenues:		
Federal Revenue	$ 109,952	$ -
Other State Revenue	1,092,867	345,405
Other Local Revenue	480,808	2,270
Total Revenues	1,683,627	347,675
Expenditures:		
Instruction	1,035,734	321,215
Instruction - Related Services	517,393	14,026
Pupil Services	75,616	-
General Administration	64,944	16,300
Plant Services	53,783	-
Total Expenditures	1,747,470	351,541
Excess (Deficiency) of Revenues Over (Under) Expenditures	(63,843)	(3,866)
Other Financing Sources (Uses):		
Transfers In	26,318	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	26,318	-
Net Change in Fund Balance	(37,525)	(3,866)
Fund Balance, July 1	555,704	37,302
Fund Balance, June 30	$ 518,179	$ 33,436

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
$ 1,710,594	$ -	$ -	$ 1,820,546
106,583	1,251,690	-	2,796,545
5,851,000	153,192	1,476	6,488,746
7,668,177	1,404,882	1,476	11,105,837
-	-	-	1,356,949
-	-	-	531,419
7,259,975	-	-	7,335,591
179,727	-	-	260,971
162,174	2,549,954	-	2,765,911
7,601,876	2,549,954	-	12,250,841
66,301	(1,145,072)	1,476	(1,145,004)
-	1,250,000	300,000	1,576,318
-	(150,000)	-	(150,000)
-	1,100,000	300,000	1,426,318
66,301	(45,072)	301,476	281,314
2,668,641	3,216,212	661,181	7,139,040
$ 2,734,942	$ 3,171,140	$ 962,657	$ 7,420,354

POWAY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2008

	Capital Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ 3,482,752	$ 4,342,330	$ 7,825,082
Accounts Receivable	8,838	31,156	39,994
Due from Other Funds	-	4,193,854	4,193,854
Total Assets	$ 3,491,590	$ 8,567,340	$ 12,058,930
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 39,233	$ 6,507	$ 45,740
Due to Other Funds	2,524,525	424,627	2,949,152
Total Liabilities	2,563,758	431,134	2,994,892
Fund Balance:			
Unreserved, reported in nonmajor:			
Capital Projects Funds	927,832	8,136,206	9,064,038
Total Fund Balance	927,832	8,136,206	9,064,038
Total Liabilities and Fund Balances	$ 3,491,590	$ 8,567,340	$ 12,058,930

POWAY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Capital Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	$ 752,487	$ 267,111	$ 1,019,598
Total Revenues	752,487	267,111	1,019,598
Expenditures:			
General Administration	24,666	-	24,666
Plant Services	508,429	2,967,287	3,475,716
Debt Service:			
Principal	-	729,228	729,228
Interest	-	129,629	129,629
Total Expenditures	533,095	3,826,144	4,359,239
Excess (Deficiency) of Revenues Over (Under) Expenditures	219,392	(3,559,033)	(3,339,641)
Other Financing Sources (Uses):			
Transfers In	-	4,735,860	4,735,860
Transfers Out	(5,500,000)	(424,599)	(5,924,599)
Total Other Financing Sources (Uses)	(5,500,000)	4,311,261	(1,188,739)
Net Change in Fund Balance	(5,280,608)	752,228	(4,528,380)
Fund Balance, July 1	6,208,440	7,383,978	13,592,418
Fund Balance, June 30	$ 927,832	$ 8,136,206	$ 9,064,038

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Other Supplementary Information

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

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Supplementary Information Section

POWAY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2008

The Poway Unified School District was established in 1962 and is comprised of an area of approximately 100 square miles in San Diego County. There were no changes in the boundaries during the current year. The district is currently operating twenty three elementary schools, six middle schools, four comprehensive high schools, and one continuation high school. The district also maintains twenty three preschools, one New Directions program and one Adult School.

Governing Board

Name	Office	Term and Term Expiration
Linda Vanderveen	President	Four Year Term Expires December 2012
Andy Patapow	Vice President	Four Year Term Expires December 2012
Todd Gutschow	Clerk	Four Year Term Expires December 2010
Jeff Mangum	Member	Four Year Term Expires December 2010
Penny Ranftle	Member	Four Year Term Expires December 2010

Administration

Donald A. Phillips, Ed.D.
Superintendent

John Collins, Ed.D
Deputy Superintendent

William Chiment
Associate Superintendent

Mel Robertson, Ed.D
Assistant Superintendent

Diane Cantelli
Assistant Superintendent

Eric Lehew
Assistant Superintendent

Malliga Tholandi
Chief Business Official

POWAY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2008

TABLE D-1

	Revised Second Period Report	Revised Annual Report
Elementary:		
Kindergarten	2,340.04	2,345.65
Grades 1 through 3	6,718.93	6,728.06
Grades 4 through 6	7,063.92	7,069.00
Grades 7 and 8	4,899.21	4,898.74
Home and hospital	2.63	3.00
Special education	538.62	540.89
Elementary totals	21,563.35	21,585.34
High School:		
Grades 9 through 12, regular classes	9,939.99	9,892.34
Home and hospital	2.55	3.38
Special education	330.37	325.56
Continuation education	259.24	253.46
High school totals	10,532.15	10,474.74
Classes for adults:		
Concurrently enrolled	11.14	18.40
Not concurrently enrolled	237.50	365.13
ADA totals	32,344.14	32,443.61

Summer School	Hours of Attendance
Elementary	135,217
High School	266,980

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.

POWAY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2008

TABLE D-2

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2007-08 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,680	36,000	36,000	180	-	Complied
Grade 1	47,149	50,400	54,260	180	-	Complied
Grade 2	47,149	50,400	54,260	180	-	Complied
Grade 3	47,149	50,400	54,260	180	-	Complied
Grade 4	49,684	54,000	54,285	180	-	Complied
Grade 5	49,684	54,000	54,285	180	-	Complied
Grade 6	60,703	54,000	60,722	180	-	Complied
Grade 7	60,703	54,000	60,722	180	-	Complied
Grade 8	60,703	54,000	60,722	180	-	Complied
Grade 9	54,441	64,800	64,808	180	-	Complied
Grade 10	54,441	64,800	64,808	180	-	Complied
Grade 11	54,441	64,800	64,808	180	-	Complied
Grade 12	54,441	64,800	64,808	180	-	Complied

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

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

POWAY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2008

TABLE D-3

General Fund	(Budget) 2009	2008	2007	2006
Revenues and other financial sources	$ 258,930,750	$ 267,051,747	$ 267,729,791	$ 233,396,655
Expenditures, other uses and transfers out	261,348,122	272,506,958	260,652,718	231,165,988
Change in fund balance (deficit)	(2,417,372)	(5,455,211)	7,077,073	2,230,667
Ending fund balance	$ 17,837,319	$ 20,254,691	$ 25,709,902	$ 18,632,829
Available reserves	$ 17,222,016	$ 19,639,334	$ 25,076,570	$ 18,250,509
Available reserves as a percentage of total outgo	6.6%	7.2%	9.6%	7.9%
Total long-term debt	$ 778,819,153	$ 792,491,936	$ 649,394,614	$ 548,940,067
Average daily attendance at P-2	32,405	32,344	31,892	31,735

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 district's general fund balance has increased by $3,852,530 over the past three years. The fiscal year 2008-09 budget projects a decrease of $2,417,372. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, other uses and transfers out.

Long-term debt has increased by $412,501,482 over the past three years.

Average daily attendance (ADA) has increased by 369 over the past three years.

POWAY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

TABLE D-4

	Special Reserve Fund for Capital Outlay	Capital Projects Fund for Blended Component Units
June 30, 2008, annual financial and budget report fund balances	$ 9,776,103	$ 137,844,361
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Accounts receivable overstatement	(1,639,897)	-
Accounts payable overstatement	-	1,639,897
Net adjustments and reclassifications	(1,639,897)	1,639,897
June 30, 2008, audited financial statement fund balances	$ 8,136,206	$ 139,484,258

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

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2008

TABLE D-5

No charter schools are chartered by Poway Unified School District.

Charter Schools	Included In Audit?
None	N/A

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXCESS SICK LEAVE
YEAR ENDED JUNE 30, 2008

TABLE D-6

The following disclosure is made for excess sick leave as that term is defined in subdivision (c) of Education Code Section 22170.5:

Titles of Employees Exhibiting Excess Sick Leave	Is Excess Sick Leave Authorized By Employee's Contract?	Was Excess Sick Leave Found To Be Accrued For Employee?	Contract Authorizing Excess Sick Leave	Is Excess Sick Leave Authorized In Teachers' Contract?
None	N/A	N/A	N/A	N/A

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct Program:			
Disaster Grant	97.036	-	$ 136,138
Total U.S. Department of Homeland Security			136,138
U. S. DEPARTMENT OF THE INTERIOR			
Direct Program:			
Wildlife Restoration *	15.611	-	387
Total U. S. Department of the Interior			387
U. S. DEPARTMENT OF EDUCATION			
Direct Programs:			
Alcohol Abuse Reduction	84.184A	-	556,422
Character Education	84.215S	-	7,753
Elementary and Secondary Counseling	84.215E	-	397,300
Foreign Language Assistance	84.293B	-	107,579
Impact Aid - P.L. 81.874	84.041	-	147,543
Total Direct Programs			1,216,597
Passed Through State Department of Education:			
Adult Education	84.002	03925	109,952
Title I	84.010	03064	890,741
Special Education *	84.027	03379	4,722,008
Vocational Education	84.048	03922	38,257
Transitional Partnership	84.158	03410	186,642
Preschool *	84.173	03430	154,491
Early Intervention	84.181	03385	117,525
Title IV Drug Free	84.186	03453	98,052
Title I Even Start	84.213	03105	172,500
Title V Innovative Education	84.298	04110	17,989
Title II Technology	84.318	04045	3,680
Title III	84.365	04203	245,050
Title II Teacher Quality	84.367	04305	625,048
Advanced Placement	84.369	04363	4,176
Total Passed Through State Department of Education			7,386,111
Total U. S. Department of Education			8,602,708
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	03396	1,710,594
Total U. S. Department of Agriculture			$ 1,710,594
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 10,449,827

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

The accompanying notes are an integral part of this schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Poway Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Other Independent Auditor's Reports

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WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
250 E Douglas Ave.
El Cajon, CA 92020
Ph (619) 447-6700 Fax (619) 447-6707

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
Poway Unified School District
Poway, California 92064-2098

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Poway Unified School District as of and for the year ended June 30, 2008, which collectively comprise the Poway Unified School District's basic financial statements and have issued our report thereon dated December 5, 2008. 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 Poway Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Poway Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Poway Unified School District's internal control over financial reporting. A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Poway Unified School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Poway Unified School District's financial statements that is more than inconsequential will not be prevented by the Poway Unified School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Poway Unified School District's internal control.

Our consideration of internal control over financial reporting 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 5, 2008

WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
250 E Douglas Ave.
El Cajon, CA 92020
Ph (619) 447-6700 Fax (619) 447-6707

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

Board of Trustees
Poway Unified School District
Poway, California 92064-2098

Members of the Board of Trustees:

Compliance
We have audited the compliance of Poway Unified School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Poway Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Poway Unified School District's management. Our responsibility is to express an opinion on Poway 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 Poway Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Poway Unified School District's compliance with those requirements.

In our opinion, Poway Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 5, 2008

WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
250 E Douglas Ave.
El Cajon, CA 92020
Ph (619) 447-6700 Fax (619) 447-6707

Auditor's Report on State Compliance

Board of Trustees
Poway Unified School District
Poway, California 92064-2098

Members of the Board of Trustees:

We have audited the basic financial statements of the Poway Unified School District ("District") as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2007-08,* published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	Yes
Regional Occupational Centers and Programs	6	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Community Day Schools	9	Not Applicable
Morgan-Hart Class Size Reduction Program	7	Yes
Instructional Materials:		
General Requirements	12	Yes
Grades K-8 Only	1	Yes
Grades 9-12 Only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit Calculation	1	Yes

School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Excess Sick Leave	2	Yes
Notice of Right to Elect California State Teachers Retirement System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Yes
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Only One School Serving Grades K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Yes
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

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

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

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 5, 2008

Findings and Recommendations Section

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POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

A. Summary of Auditor's Results

1. Financial Statements

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

2. Federal Awards

Internal control over major programs:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.184A	Alcohol Abuse Reduction Grant
84.215E	Elementary and Secondary Counseling Grant
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs:	$313,495			
Auditee qualified as low-risk auditee?	X	Yes	____	No

3. State Awards

Internal control over state programs:

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

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

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2008-1 (10000)
Attendance

Criteria or Specific Requirement
Select a representative sample of classes and trace the monthly totals from the monthly report to the data origination documentation. Verify the mathematical accuracy of the attendance registers, scantron summaries, or other data arrays.

Condition
In our review of attendance at Mt. Carmel High School we noted that the school required teachers to keep attendance in their classroom and to verify the absences that are in the attendance system. The reports that teachers were using only showed absences and were not a complete record of attendance for the day. In addition, the teachers were not verifying the accuracy of what was in the attendance system; consequently, they were signing their handwritten attendance books which were not compared to the attendance system. In review of the handwritten attendance books, dates were not clear and as such, we were unable to trace absences as noted in the attendance books to the data which was recorded in the attendance system. In addition, one of the five teachers selected was unable to provide any attendance records. The school did not have a system in place to ensure that all attendance was being accounted for. We selected thirty absences as documented by parent notes or phone calls to the attendance staff and noted all thirty had been recorded properly in the attendance system.

In our review of attendance at Mesa Verde Middle School we noted that the school did not maintain signed teacher rosters verifying accuracy of data entered into the attendance system. Teachers entered the absences into the system; however, there is no support that the amounts entered were verified.

Questioned Costs
None

Recommendation
We recommend the schools implement procedures to require printing of teacher rosters that are verified and signed weekly by all teachers. All records should be tracked and maintained by the attendance staff for audit purposes.

LEA's Response
Following the auditor's recommendation, the district held a workshop for all the site attendance clerks, supervisors and district office attendance clerks where the importance of daily attendance rosters, teacher signatures and other pertinent attendance regulations were addressed in detail. This workshop was conducted by our auditor, P. Robert Wilkinson. The Deputy Superintendent followed up with a detailed letter to the Principals stressing the importance of rosters and teacher signatures.

Finding 2008-2 (71000)
Teacher Credentials

Criteria or Specific Requirement
If any teacher, as selected for attendance testing, was assigned to teach a class in which more than 20% of the pupils were English learners, 'determine whether the teacher was authorized to instruct limited-English-proficient pupils pursuant to the provisions of Education Code Section 44253.3, 44253.4, or 44253.10.

Condition
In our review of teacher credentials we noted one teacher out of twenty nine selected who did not have an authorization to instruct limited-English-proficient pupils was assigned to teach a class that had 33% limited-English-proficient pupils.

Questioned Costs
None

Recommendation
We recommend the district implement procedures requiring all teachers assigned to teach greater than 20% limited-English-proficient pupils to be required to have the appropriate certification to do so. We recommend that an individual at each school site review assignments and credentials to ensure that all assignments are appropriate for each teachers credentials.

LEA's Response
In following up with this finding, we discovered that the teacher noted had indeed completed the course work to apply for the CLAD; however, she did not fill out the application form to the state. She is ordering transcripts and will be completing the process this summer.

Finding 2008-3 (40000)
Morgan Hart Class Size Reduction

Criteria or Specific Requirement
Review the district's report of enrollment for the Morgan-Hart Class Size Reduction Program and trace the data, after determining that it is mathematically correct, to supporting summaries.

Condition
In our review of the districts report of enrollment for the Morgan Hart Class Size Reduction program we noted a clerical error which resulted in overstating 1 FYEE at Poway High School.

Questioned Costs
$213

Recommendation
We recommend the district amend their report of enrollment for the Morgan Hart Class Size Reduction program. In addition, we recommend the district implement policies for careful review of all applications to ensure accurate reporting.

LEA's Response
We have amended our enrollment report for the Morgan Hart Class Size Reduction Program. We will ensure that an audit of the calculations is done before the reports are submitted to the California Department of Education.

Finding 2008-4 (40000)
After School Education and Safety Program - After School Component

Criteria or Specific Requirement
A. Determine whether the district established a policy regarding reasonable early daily release of pupils from the program.
B. For schools selected determine whether elementary school pupils participated in the full day of the after school program on every day during which pupils participated, and determine whether pupils in middle schools attended the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy.

Condition
A. The district did not establish a policy regarding reasonable early daily release of pupils from the program.
B. In review of attendance sheets for Valley Elementary School, pupils participating in the program were released early without documentation of the reason for early release. In review of attendance sheets at Bernardo Heights Middle School and Black Mountain Middle School time in/out was not included on the attendance sheets. We were not able to determine if students attended a minimum of nine hours per week and three days per week.

Questioned Costs
Days students served is questioned at the following school sites for the third quarter tested:
Bernardo Heights Middle School - 9,543 days
Black Mountain Middle School - 9,376 days
Valley Elementary School - 4,875 days
Total questioned for third quarter tested - 23,794 days

Recommendation
We recommend the District establish a policy regarding reasonable early release of pupils from the after school program. In addition, we recommend the District document the time in and out of the program in order to determine if elementary students participated the full day of the program and to determine if middle school students participated a minimum of nine hours and three days a week. The District should also document the reason for early release in order to ensure that it is within their established policy regarding reasonable early daily release.

LEA's Response

Early release and late arrival was added to the registration application at the end of the 2007-08 school year. The Director of the ASES program is also drafting a policy and procedures for ASES and this will be addressed. We also included early release/late arrival coding to be used when student arrives late or leaves early.

Finding 2008-5 (40000)
After School Education and Safety Program - Before School Component

Criteria or Specific Requirement

A. Determine whether the District established a policy regarding reasonable late daily arrival of pupils to the program.
B. Determine whether the District operated the before school program for not less than one and one half hours per regular school day.
C. Determine whether attendance by pupils for less than one-half of the daily program hours was included in the report of students served. Determine whether elementary school pupils participated in the full day of the before school program on every day which pupils participated, and determine whether pupils in middle schools attended the before school program a minimum of six hours a week and three days a week, except as consistent with the late arrival policy.

Condition

A. The District did not establish a policy regarding reasonable late daily arrival of pupils to the program.
B. In our review of the schools schedule at Valley Elementary School we noted that the schedule indicated that the program operated from 6:30 am to 8:00 am which meets the requirement; however, in our review of attendance records the program actually operated from 6:30 am to 7:45 am which does not meet the requirement.
C. In review of attendance sheets for Valley Elementary School, Bernardo Heights Middle School and Black Mountain Middle School there was no documentation of arrival time for the students. We could not determine if students attended for more than one-half of the daily program hours, if elementary students participated in the full day of the before school program, or if middle school students participated a minimum of six hours a week and three days a week.

Questioned Costs

Days students served is questioned at the following school sites for the third quarter tested:
Bernardo Heights Middle School - 10,769 days
Black Mountain Middle School - 7,222 days
Valley Elementary School - 2,372 days
Total questioned for third quarter tested - 20,363 days

Recommendation

We recommend the District establish a policy regarding reasonable late arrival of pupils to the before school program. The district should establish policies to ensure all before school programs are operating a minimum of one and one-half hours and that documentation on brochures and attendance records are in agreement with each other. In addition, the district should document the time arrived and released from the program in order to determine if students attended for at least one-half of the program time, and if elementary students participated in the full program and middle school students participated a minimum of six hours per week and three days per week, except as consistent with the late arrival policy.

LEA's Response
Early release and late arrival was added to the registration application at the end of the 2007-08 school year. The Director of the ASES program is also drafting a policy and procedures for ASES and this will be addressed. We also included early release/late arrival coding to be used when a student arrives late or leaves early.

POWAY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2007-1 Compensated Absences 27 employees exceeded the maximum carryover of vacation allowed by district policy without receiving written approval. We recommended the district implement procedures to reduce vacation carryover for employees who exceeded the maximum as allowed by district policy. In addition, we recommended the district obtain written approval for those employees who exceeded the maximum allowed.	Implemented	
Finding 2007-2 I-9 Employment Eligibibility Forms The district was unable to locate I-9 forms for several employees who were currently employed by the district. We recommended the district implement procedures to obtain and retain I-9 forms in compliance with the Department of Homeland Securities retention policies.	Implemented	
Finding 2007-3 Student Body Funds - Westview High School Some cash transmittal forms did not reflect preparer and/or verification signatures for cash collected. We recommended the district implement procedures requiring appropriate signatures on the cash transmittal form.	Implemented	
Finding 2007-4 Teacher Credentials One out of twenty nine selected teachers did not have authorization in his credential to instruct limited-English-proficient pupils and was assigned to teach a class that had 35% limited-English-proficient pupils. We recommended that the district implement procedures requiring all teachers assigned to teach greater than 20% limited-English-proficient pupils to have the appropriate certification.	Being Implemented	See current year finding

POWAY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2007-5 Attendance Reporting 10 out of 60 absences selected from phone logs at Westview High School were not recorded in the attendance system as absences. We recommended the district amend the P2 and Annual reports of attendance. In addition, we recommended the district designate a centralized attendance clerk at the school site to review teacher phone logs and recording of absences.	Implemented	
Finding 2007-6 Morgan Hart Class Size Reduction Inconsistencies in the report used to prepare the Morgan Hart Report of Enrollment resulted in an overstatement of 5 FYEE. We recommended the district amend the Morgan Hart Report of Enrollment. In addition, we recommended the district implement procedures to review reports prior to use in preparing data for submission to CDE.	Implemented	

APPENDIX B

THE ECONOMY OF THE SCHOOL DISTRICT

The School District's territory includes the City of Poway (the "City"). The following economic data for the City is presented for information purposes only. The Series A Bonds are not a debt or obligation of the City, and property taxes for the payments of the Series A Bonds will only be levied on property within the School District.

Population

Poway's population as of January 1, 2008, was approximately 51,103 persons, representing approximately 1.6% of the population of the County. The population of the City and the County from 1999 to 2008 is shown in the following table. Since 1999, Poway's population has increased by approximately 8.6%, representing an annual compound growth rate of approximately 0.92%.

POPULATION OF POWAY AND SAN DIEGO COUNTY
1999-2008

	City of Poway		San Diego County	
Year	Population	Annual % Change	Population	Annual % Change
1999	47,050	– %	2,750,992	– %
2000	48,055	2.1%	2,805,935	2.0%
2001	48,981	1.9%	2,864,462	2.1%
2002	49,709	1.5%	2,921,390	2.0%
2003	50,034	0.7%	2,972,932	1.8%
2004	50,458	0.8%	3,011,244	1.3%
2005	50,477	0.0%	3,039,277	0.9%
2006	50,542	0.1%	3,066,820	0.9%
2007	50,862	0.6%	3,100,132	1.1%
2008	51,103	0.5%	3,146,274	1.5%

Note: California Department of Finance for January 1.

Employment

The following table summarizes wage and salary employment in the County from 2003 to 2007. Services, retail trade, and manufacturing are the largest employment sectors in the County.

ANNUAL AVERAGE WAGE AND SALARY EMPLOYMENT
COUNTY OF SAN DIEGO
2003-2007

	Average Annual Employment[1]				
Industry	2003	2004	2005	2006	2007
Agriculture	11,200	11,100	10,700	10,900	10,800
Mining	300	400	400	500	400
Construction	80,200	87,700	90,800	92,700	87,200
Manufacturing	105,300	104,300	104,500	103,900	102,100
Transportation & Public Utilities	27,300	28,500	28,300	28,700	28,800
Wholesale Trade	41,600	41,900	43,600	45,100	45,500
Retail Trade	140,800	144,900	147,400	148,300	148,700
Finance, Insurance & Real Estate	72,100	74,900	76,200	76,900	74,000
Services	1,054,300	1,067,900	1,086,400	1,104,500	1,118,500
Government	217,300	214,300	215,100	217,900	222,100
Total, All Industries	1,750,400	1,775,800	1,803,400	1,829,400	1,838,100

(1) *Employment is reported by place of work; it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.*

Source: California Employment Development Department, based on March 2007 benchmark.

The following table summarizes civilian labor force, employment, and unemployment in the County from 1999 to 2007. The unemployment rate in the County in 2007 was 4.6%; in contrast, the average unemployment rate in California in 2007 was 5.4%.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
SAN DIEGO COUNTY
ANNUAL AVERAGES, 1999 THROUGH AUGUST 2008

Year	Civilian Labor Force	Employed Labor Force[1]	Unemployed Labor Force[2]	Unemployment Rate[3]
1999	1,351,900	1,309,800	53,800	3.1%
2000	1,375,700	1,321,900	58,900	3.9%
2001	1,409,200	1,350,300	45,700	4.2%
2002	1,448,500	1,374,000	74,500	5.1%
2003	1,468,000	1,391,600	76,400	5.2%
2004	1,489,200	1,418,500	70,700	4.7%
2005	1,505,200	1,440,500	64,700	4.3%
2006	1,510,700	1,446,700	64,000	4.2%
2007	1,542,500	1,471,600	70,900	4.6%
2008*	1,580,100	1,472,400	107,700	6.8%

(1) *Includes persons involved in labor-management trade disputes.*
(2) *Includes all persons without jobs who are actively seeking work.*
(3) *The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.*
* *Through October, 2008.*

Source: California Employment Development Department, based on March 2007 benchmark.

Major Employers

The largest employers in the City are as follows:

LARGEST EMPLOYERS
CITY OF POWAY

Firm	Product/Service	Employment
Poway Unified School District	Education	3,493
GEICO Direct	Insurance	1,800
Delta (Cohu)	Supplier of test handling equipment	1,200
Select Build	Construction services	1,200
First American Credco	Credit reporting	750
Pomerado Hospital	Medical facility	696
SYSCO Food Services of San Diego	Food service	530
Hunter-Douglas	Custom window treatment manufacturer	350
Walmart	Retail store	350
City of Poway	Government	321
Neal Electric Corporation	Electrical contractor	305
Mitchell Repair Information Company	Electronic solutions/print publications	300
Pentair Electronic Packaging	Electronic enclosure solutions	300
Benchmark Landscape Inc.	Commercial landscape	286
Costco	Warehouse store	265

Source: SANDAG; Weatherbase.com; DQNews; City of Poway, August, 2007.

Construction Activity

The level of construction activity in the City and the County as measured by total building permit valuations and new residential dwelling units is shown in the following tables.

BUILDING PERMIT ACTIVITY
CITY OF POWAY
2003-2007
(in thousands)

	2003	2004	2005	2006	2007
Valuation ($000):					
Residential	$50,134	$50,946	$30,156	$25,551	$15,011
Non-residential	23,887	56,938	18,989	49,200	23,356
TOTAL	$74,021	$107,884	$49,145	$74,551	$38,367
Residential Units:					
Single family	82	100	46	26	24
Multiple family	84	0	0	56	0
TOTAL	166	100	46	82	24

Source: Construction Industry Research Board.

BUILDING PERMIT ACTIVITY
COUNTY OF SAN DIEGO
2003-2007
(in thousands)

	2003	2004	2005	2006	2007
Valuation ($000):					
Residential	$3,683,986	$3,875,359	$3,562,702	$2,452,240	$1,852,379
Non-residential	1,169,577	1,288,135	1,381,792	1,614,134	1,416,824
TOTAL	$4,853,563	$5,163,494	$4,944,494	$4,066,374	$3,269,203
Dwelling Units:					
Single family	9,382	9,555	7,886	4,670	3,503
Multiple family	8,942	7,751	7,372	6,011	3,942
TOTAL	18,324	17,306	15,258	10,681	7,445

Source: Construction Industry Research Board.

Income

Total personal income in the County increased by approximately 58.1% between 1999 and 2007, representing an average annual compound growth rate of approximately 5.22%. Per capita personal income in the County grew by approximately 34.9% during this time, representing an average annual compound growth of approximately 4.47%.

The following tables summarize personal income growth for the County from 1999 to 2007.

SAN DIEGO COUNTY
PERSONAL INCOME
1999-2007
(in thousands)

Year	San Diego County	Annual Percent Change
1999	84,346,910	– %
2000	92,654,006	9.8%
2001	97,009,000	4.7%
2002	100,656,000	3.8%
2003	104,050,000	3.4%
2004	111,435,000	7.1%
2005	118,792,540	6.6%
2006	126,193,721	6.2%
2007	133,369,000	5.7%

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PER CAPITA PERSONAL INCOME
1999-2007

Year	San Diego County	California	United States
1999	30,236	29,828	27,939
2000	32,803	32,463	29,845
2001	33,886	32,882	30,574
2002	34,719	32,803	30,810
2003	35,620	33,400	31,484
2004	37,965	35,440	33,050
2005	40,383	37,311	34,757
2006	42,801	39,871	36,714
2007	44,832	41,580	38,632

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Retail Sales

Taxable sales in the City and the County are shown below. Taxable sales in the City increased by approximately 33.3% between 2003 and 2006 (2007 data only available through second quarter). The largest taxable sales sectors in the City are auto dealers and supplies, general merchandise, other retail stores, building materials and eating and drinking places.

TAXABLE SALES
CITY OF POWAY
2003-2007*

	Taxable Sales ($000)				
	2003	**2004**	**2005**	**2006**	**2007***
Apparel Stores	$ 3,621	$ #	$ #	$ #	$ #
General Merchandise	116,512	149,787	92,192	222,740	106,370
Food Stores	26,465	26,692	13,057	29,064	14,152
Eating & Drinking Places	46,763	49,868	25,823	55,723	28,327
Home Furnishings & Appliances	2,501	6,612	3,944	10,027	4,604
Building Materials & Farm Implements	40,736	67,577	57,027	120,196	45,498
Auto Dealers & Auto Supplies	295,046	281,712	134,304	270,195	133,135
Service Stations	42,447	46,982	23,608	56,164	29,018
Other Retail Stores	117,686	236,040#	105,931#	199,281#	93,666#
Total Retail Stores	$691,777	$865,270	$455,886	$963,390	$454,770
All Other Outlets	197,801	210,352	127,833	222,158	109,283
Total All Outlets	$889,578	$1,075,622	$583,410	$1,185,548	$564,053

* Totals as of second quarter of 2007.
\# Sales omitted because their publication would result in the disclosure of confidential information.

Source: California Board of Equalization.

TAXABLE SALES
COUNTY OF SAN DIEGO
2003-2007*

	Taxable Sales ($000)				
	2003	**2004**	**2005**	**2006**	**2007***
Apparel	$1,466,233	$1,644,428	$ 798,962	$ 1,909,011	$ 925,449
General Merchandise	4,832,286	5,204,962	2,447,449	5,594,621	2,594,797
Specialty Stores	4,144,293	4,541,225	2,196,435	4,926,656	(1)
Food Stores	1,685,203	1,736,610	893,430	1,928,274	943,597
Eating & Drinking Places	3,757,136	4,407,726	2,087,500	4,521,392	2,348,997
Home Furnishings & Appliances	1,458,403	1,549,482	743,119	1,511,389	703,398
Building Materials & Farm Implements	2,757,706	3,341,105	1,608,869	3,497,965	1,459,921(1)
Auto Dealers & Auto Supplies	6,201,830	6,513,646	3,311,869	3,174,427	3,234,545
Service Stations	2,361,860	2,804,631	1,492,921	3,589,505	1,831,868
Other Retail Stores	855,601	961,645	497,602	1,076,631	2,584,436
Total Retail Stores	$29,520,551	$32,345,460	$16,078,156	$34,619,067	$10,627,008
Business and Personal Services	2,040,077	2,146,781	1,072,902	2,302,057	1,096,368
All Other Outlets	9,303,350	9,978,097	5,222,043	10,914,390	5,560,224
Total All Outlets	$40,863,978	$44,470,338	$22,373,101	$47,835,514	$23,283,600

* Totals as of second quarter of 2007.
(1) As of first quarter of 2007 "Specialty Stores" and "Farm Implements" data is included in "Other Retail Stores."

Source: California Board of Equalization.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

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

Board of Education of the
Poway Unified School District
13626 Twin Peaks Road
Poway, CA 92064-3034

Re: $73,998,935.75 General Obligation Bonds of School Facilities Improvement District No. 2007-1 of the Poway Unified School District, 2008 Election, Series A
Final Opinion

Ladies and Gentlemen:

We have acted as Bond Counsel for the Poway Unified School District ("District") acting for School Facilities Improvement District No. 2007-1 of the Poway Unified School District ("Improvement District"), in connection with the proceedings for the issuance and sale by the District of $73,998,935.75 principal amount of General Obligation Bonds of School Facilities Improvement District No. 2007-1 of the Poway Unified School District, 2008 Election, Series A ("Bonds"). The Bonds are being issued pursuant to the Resolution of the Board of Education of the District, adopted on August 11, 2008 (Resolution No. 03-2009), as supplemented ("District Resolution"), pursuant to authorization provided in Resolution No. 08-201 of the County of San Diego ("County") adopted on September 16, 2008, as supplemented ("County Resolution," and with the District Resolution, the "Bond Resolution"), which resolutions were adopted pursuant to California Education Code Section 15350 *et seq*., and in accordance with the statutory authority set forth in Education Code Sections 15266(b), and Title 1, Division 1, Part 10, Chapters 1 and 2 of the California Education Code, commencing with Sections 15100 and 15300, respectively, and provisions of the California Constitution.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the District, including certificates as to factual matters, as we have deemed necessary to render this opinion. We have also examined that certain Judgment of the Superior Court of the County of San Diego, entered on November 20, 2008, in Case No. 37-2008-00091919-CU-MC-CTL, relating to the Bonds and certain matters concerning the Bonds.

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

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. The opinions may be affected by actions or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events occur. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution and in certain other documents, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

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

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

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

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

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

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is executed and entered into as of January 1, 2009, by and between the Poway Unified School District (the "School District"), acting on behalf of School Facilities Improvement District No. 2007-1 of the Poway Unified School District (the "Improvement District"), and Dolinka Group, LLC, a California limited liability company, in its capacity as Dissemination Agent (the "Dissemination Agent"), under the Disclosure Agreement in connection with the issuance of $73,998,935.75 aggregate principal amount General Obligation Bonds of School Facilities Improvement District No. 2007-1 of the Poway Unified School District, 2008 Election, Series A (the "Series A Bonds");

W I T N E S S E T H :

WHEREAS, pursuant to the Resolution (Resolution No. 03-2009) of the Board of Education of the School District adopted on August 11, 2008, as supplemented (the "School District Resolution"), and the Resolution of the Board of Supervisors of San Diego County adopted on September 16, 2008, as supplemented (the "County Resolution," and together with the School District Resolution, the "Resolutions"), the School District has, through the County, issued the Series A Bonds; and

WHEREAS, the Series A Bonds are payable from and secured by *ad valorem* taxes levied against property within the Improvement District;

NOW, THEREFORE, for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

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

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

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

"Annual Report Date" shall mean seven months next following the end of the School District's fiscal year, which fiscal year end, as of the date of this Disclosure Agreement, is June 30.

"Disclosure Representative" shall mean the Chief Financial Officer of the School District, or his or her designee, or such other officer or employee as the School District shall designate in writing to the Dissemination Agent and the County of San Diego, acting as the Paying Agent (or successor Paying Agent) (the "Paying Agent") from time to time.

"Dissemination Agent" shall mean Dolinka Group, LLC, a California limited liability company or any successor Dissemination Agent designated in writing by the School District and which has filed with the School District a written acceptance of such designation.

"Improvement District" shall mean the School Facilities Improvement District No. 2007-1 of the School District.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Internet at www.sec.gov/info/municipal/nrmsir.htm.

"Participating Underwriter" shall mean Stone & Youngberg LLC.

"Repository" shall mean each National Repository and each State Repository.

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

"School District" shall mean Poway Unified School District, Poway, California.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The School District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing February 1, 2010, provide to each Repository, the Paying Agent and to the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of the Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the School District shall provide the Annual Report to the Dissemination Agent. 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 Agreement; provided that the audited financial statements of the School District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if not available by that date. If the School 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). If the Dissemination Agent has not received a copy of the Annual Report on or before 15 business days prior to February 1 in any year, the Dissemination Agent shall notify the School District of such failure to receive the Annual Report. The School 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 it hereunder. The Dissemination Agent may conclusively rely upon such certification of the School District and shall have no duty or obligation to review such Annual Report. The Annual Report may be provided in electronic format to each Repository and the Participating Underwriter and may be provided through the services of a "central post office" or equivalent system or entity, e.g. Electronic Municipal Market Access (EMMA), approved by the Securities and Exchange Commission. For example, any filing under this Continuing Disclosure Agreement may be made solely by transmitting such filing to the Texas

Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

(b) If the School District is unable to provide to the Repositories and to the Participating Underwriter an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repositories and the appropriate State Repository, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any;

(ii) provide any Annual Report received by it to each Repository, the Paying Agent and the Participating Underwriter as provided herein; and

(iii) if the Dissemination Agent is other than the School District and to the extent it can confirm such filing of the Annual Report, file a report with the School District, the Paying Agent and the Participating Underwriter certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

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

(a) Audited Financial Statements of the School District prepared in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If audited financial statements are not available at the time required for filing, unaudited financial statements shall be submitted with the Annual Report and audited financial statements shall be submitted once available.

(b) The following information regarding the Series A Bonds, any parity bonds and any refunding bonds issued by the Improvement District:

(i) The School District's approved annual budget for the then-current fiscal year;

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

(iii) Principal amount and accreted value of Series A Bonds, any parity bonds and any general obligation refunding bonds issued on behalf of the Improvement District outstanding as of a date within 45 days preceding the date of the Annual Report;

(iv) Balance in the Debt Service Fund as of a date within 45 days preceding the date of the Annual Report;

(v) Balance in the Improvement Fund, and each account or subaccount thereunder, if any, as of a date within 45 days preceding the date of the Annual Report, and of any other fund related to the Series A Bonds not referenced in clauses (i), (ii), (iii) or (iv) hereof;

(vi) A statement as to whether or not the County includes the tax levy for payment of the Series A Bonds in its Teeter Plan and if not, information regarding the amount of the annual *ad valorem* taxes levied in the Improvement District, amount collected, delinquent amounts and percent delinquent for the most recent fiscal year; and

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

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the School District shall provide such further information, if any, as may be necessary to make the statements required under Section 4(b), in the light of the circumstances under which they are made, not misleading.

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 School District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The School District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the School District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series A Bonds and any refunding bonds, if material:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions or events affecting the tax-exempt status of the security;

(vii) Modifications to rights of security holders;

(viii) Contingent or unscheduled bond calls;

(ix) Defeasances;

(x) Release, substitution or sale of property securing repayment of the securities; and

(xi) Rating changes.

(b) The Dissemination Agent shall, within five business days of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event and request that the School District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (e). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of the Listed Events described under clauses (ii), (iii), (vi), (x) and (xi) above shall mean actual knowledge by an officer at the corporate trust office of the Dissemination Agent. The Dissemination Agent shall have no responsibility for determining the materiality of any of the Listed Events.

(c) As soon as practicable based on the time needed to discover the occurrence of an event, to assess its materiality and to prepare and disseminate the applicable notice, if the School District has determined that the occurrence of a Listed Event, would be material under applicable federal securities law, the School District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e). The School District shall provide the Dissemination Agent with a form of notice of such event in a format suitable for reporting to the National Repository or to the Municipal Securities Rulemaking Board and each State Repository, if any.

(d) If the School District determines that the Listed Event would not be material under applicable federal securities law, the School District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the School District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the National Repository or the Municipal Securities Rulemaking Board and each State Repository, if any, and shall provide a copy of such notice to the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Series A Bonds pursuant to the Resolutions.

Section 6. <u>Termination of Reporting Obligation</u>. All of the School District's obligations hereunder shall terminate upon the earliest to occur of (i) the legal defeasance of the Series A Bonds, (ii) prior redemption of the Series A Bonds or (iii) payment in full of all the Series A Bonds. If such determination occurs prior to the final maturity of the Series A Bonds, the School District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

Section 7. <u>Dissemination Agent</u>. The School District may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Dolinka Group, LLC. The Dissemination Agent may resign by providing thirty days' written notice to the District and to the Paying Agent (if the Paying Agent is not the Dissemination Agent). The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the

Dissemination Agent be responsible for filing any Annual Report not provided to it by the School District in a timely manner and in a form suitable for filing.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Disclosure Agreement, the School District and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the School District, so long as such amendment does not adversely affect the rights or obligations of the Dissemination Agent), and any provision of this Disclosure Agreement 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 Series A 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 Series A 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 owners of the Series A Bonds in the manner provided in the Resolutions for amendments to the Resolutions with the consent of owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Series A 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 School 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 sent to the Repositories in the same manner as for a Listed Event under Section 5(e).

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the School District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the School 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 Agreement, the School District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the School District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Paying Agent and any owner or beneficial owner of the Series A Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School District or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolutions, and the sole remedy under this Disclosure Agreement in the event of any failure of the School District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties hereunder as are specifically set forth in this Disclosure Agreement. This Disclosure Agreement does not apply to any other securities issued or to be issued by the School District. The Paying Agent shall have no obligation to make any disclosure concerning the Series A Bonds, the School District or any other matter, provided that no provision of this Disclosure Agreement shall limit the duties or obligations of the Paying Agent under the Resolutions. The Dissemination Agent shall have no responsibility for the preparation, review, form or content of any Annual Report or any notice of a Listed Event. The fact that the Paying Agent has or may have any banking, fiduciary or other relationship with the School District or any other party, apart from the relationship created by the Resolutions, shall not be construed to mean that the Paying Agent has knowledge or notice of any event or condition relating to the Series A Bonds or the School District except in its respective capacities under such agreements. No provision of this Disclosure Agreement shall require or be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder. Information disclosed hereunder by the Dissemination Agent may contain such disclaimer language concerning the Dissemination Agent's responsibilities hereunder with respect thereto as the Dissemination Agent may deem appropriate. The Dissemination Agent may conclusively rely on the determination of the School District as to the materiality of any event for purposes of Section 5 hereof. The Dissemination Agent makes no representation as to the sufficiency of this Disclosure Agreement for purposes of the Rule. The Dissemination Agent shall be paid compensation by the School District for its services provided hereunder in accordance with its schedule of fees, as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The School District's obligations under this Section shall survive the termination of this Disclosure Agreement.

Section 12. Beneficiaries. The Participating Underwriter and the owners and beneficial owners from time to time of the Series A Bonds shall be third party beneficiaries under this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the School District, the Paying Agent, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the Series A Bonds, and shall create no rights in any other person or entity.

Section 13. Notices. Any notice or communications to or among any of the parties to this Disclosure Agreement shall be given to all of the following and may be given as follows:

If to the School District:	Poway Unified School District 13626 Twin Peaks Road Poway, California 92064-3098 Telephone: (858) 679-2552 Telecopier: (858) 513-0967 Attention: Deputy Superintendent, Business Support Services
If to the Dissemination Agent:	Dolinka Group, LLC 20 Pacifica, Suite 900 Irvine, California 92618 Telephone: (949) 250-8300 Telecopier: (949) 250-8301
If to the Participating Underwriter:	Stone & Youngberg LLC One Ferry Building San Francisco, California 94111 Attention: Municipal Research Department Telephone: (415) 445-2332 Telecopier: (415) 445-2395

Section 14. <u>Future Determination of Obligated Persons</u>. In the event the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the Improvement District to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the School District to meeting the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Agreement shall be deemed to obligate the School District to disclose information concerning any owner of land within the School District except as required as part of the information required to be disclosed by the School District pursuant to Section 4 and Section 5 hereof.

Section 15. <u>Severability</u>. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 16. <u>State of California Law Governs</u>. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

Section 17. <u>Counterparts</u>. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

POWAY UNIFIED SCHOOL DISTRICT

By: ____
Authorized Officer

DOLINKA GROUP, LLC, as Dissemination Agent

By: ____
Authorized Officer

EXHIBIT A

NOTICE TO THE NATIONAL REPOSITORY OR THE MUNICIPAL SECURITIES RULEMAKING BOARD AND THE STATE REPOSITORY, IF ANY, OF FAILURE TO FILE SEMI-ANNUAL REPORT

Name of Issuer:	School Facilities Improvement District No. 2007-1 of the Poway Unified School District
Name of Bond Issue:	General Obligation Bonds of School Facilities Improvement District No. 2007-1 of the Poway Unified School District, 2008 Election, Series A
Date of Issuance:	January 27, 2009

NOTICE IS HEREBY GIVEN that the Poway Unified School District (the "School District") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of January 1, 2009, by and between the School District and Dolinka Group, LLC, as Dissemination Agent. [The School District anticipates that the Annual Report will be filed by ________________.]

Dated: ________, 20__

Dolinka Group, LLC, as Dissemination Agent,
on behalf of the School District

cc: Poway Unified School District
Stone & Youngberg LLC

APPENDIX E

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series A Bonds, payment of Accreted Value of the Series A Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Series A Bonds, confirmation and transfer of beneficial ownership interests in the Series A Bonds and other Bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Series A Bonds is based solely on information furnished by DTC to the School District which the School District believes to be reliable, but the School District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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

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

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

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

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

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

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

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

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

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

Discontinuance of DTC Services

In the event that (a) DTC determines not to continue to act as securities depository for the Series A Bonds, or (b) the School District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the School District will discontinue the Book-Entry System with DTC for the Series A Bonds. If the School District determines to replace DTC with another qualified securities depository, the School District will prepare or direct the preparation of a new single separate, fully-registered Bond for each maturity of the Series A Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolution. If the School District fails to identify another qualified securities depository to replace the incumbent securities depository for the Series A Bonds, then the Series A Bonds shall no longer be restricted to being registered in the 2009 Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Series A Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Series A Bonds will be made available in physical form, (ii) Accreted Value of the Series A Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolution, and (iii) the Series A Bonds will be transferable and exchangeable as provided in the Resolution.

The School District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Series A Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the Accreted Value of the Series A Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolution; (iv) any consent given or other action taken by DTC as registered owner; or (v) any other matter arising with respect to the Series A Bonds or the Resolution. The School District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of Accreted Value of the Series A Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The School District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Series A Bonds or any error or delay relating thereto.

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APPENDIX F

CAPITAL APPRECIATION BONDS
ACCRETED VALUE TABLE
(Values Per $5,000 Maturity Value)

Date	8/1/2017 6%	8/1/2018 6.08%	8/1/2019 6.20%	8/1/2020 6.30%	8/1/2021 6.40%	8/1/2022 6.50%	8/1/2023 6.60%	8/1/2024 6.70%	8/1/2025 6.80%
1/27/2009	3,023.05	2,828.55	2,631.70	2,448.35	2,273.35	2,106.80	1,948.70	1,798.95	1,657.55
2/1/2009	3,025.05	2,830.45	2,633.50	2,450.05	2,274.95	2,108.30	1,950.10	1,800.30	1,658.75
8/1/2009	3,115.80	2,916.50	2,715.15	2,527.20	2,347.75	2,176.80	2,014.45	1,860.60	1,715.15
2/1/2010	3,209.30	3,005.15	2,799.30	2,606.85	2,422.90	2,247.55	2,080.90	1,922.90	1,773.50
8/1/2010	3,305.55	3,096.50	2,886.10	2,688.95	2,500.40	2,320.60	2,149.60	1,987.35	1,833.80
2/1/2011	3,404.75	3,190.65	2,975.55	2,773.65	2,580.45	2,396.05	2,220.55	2,053.90	1,896.15
8/1/2011	3,506.85	3,287.65	3,067.80	2,861.00	2,663.00	2,473.90	2,293.80	2,122.70	1,960.60
2/1/2012	3,612.10	3,387.60	3,162.90	2,951.15	2,748.20	2,554.30	2,369.50	2,193.85	2,027.25
8/1/2012	3,720.45	3,490.55	3,260.95	3,044.10	2,836.15	2,637.35	2,447.70	2,267.30	2,096.20
2/1/2013	3,832.05	3,596.70	3,362.05	3,140.00	2,926.90	2,723.05	2,528.50	2,343.30	2,167.45
8/1/2013	3,947.00	3,706.05	3,466.25	3,238.90	3,020.60	2,811.55	2,611.90	2,421.80	2,241.15
2/1/2014	4,065.45	3,818.70	3,573.75	3,340.95	3,117.25	2,902.90	2,698.10	2,502.90	2,317.35
8/1/2014	4,187.40	3,934.80	3,684.50	3,446.15	3,217.00	2,997.25	2,787.15	2,586.75	2,396.15
2/1/2015	4,313.00	4,054.40	3,798.75	3,554.70	3,319.95	3,094.70	2,879.15	2,673.40	2,477.60
8/1/2015	4,442.40	4,177.65	3,916.50	3,666.70	3,426.20	3,195.25	2,974.15	2,763.00	2,561.85
2/1/2016	4,575.70	4,304.65	4,037.90	3,782.20	3,535.80	3,299.10	3,072.30	2,855.55	2,648.95
8/1/2016	4,712.95	4,435.50	4,163.10	3,901.35	3,648.95	3,406.35	3,173.65	2,951.20	2,739.05
2/1/2017	4,854.35	4,570.35	4,292.15	4,024.25	3,765.75	3,517.05	3,278.40	3,050.05	2,832.15
8/1/2017	5,000.00	4,709.30	4,425.20	4,151.00	3,886.25	3,631.35	3,386.60	3,152.25	2,928.45
2/1/2018	–	4,852.45	4,562.40	4,281.75	4,010.60	3,749.35	3,498.35	3,257.85	3,028.00
8/1/2018	–	5,000.00	4,703.80	4,416.65	4,138.95	3,871.20	3,613.80	3,367.00	3,130.95
2/1/2019	–	–	4,849.65	4,555.75	4,271.40	3,997.05	3,733.05	3,479.80	3,237.40
8/1/2019	–	–	5,000.00	4,699.25	4,408.05	4,126.95	3,856.25	3,596.35	3,347.50
2/1/2020	–	–	–	4,847.30	4,549.15	4,261.05	3,983.50	3,716.85	3,461.30
8/1/2020	–	–	–	5,000.00	4,694.70	4,399.55	4,114.95	3,841.35	3,579.00
2/1/2021	–	–	–	–	4,844.95	4,542.55	4,250.75	3,970.05	3,700.70
8/1/2021	–	–	–	–	5,000.00	4,690.15	4,391.05	4,103.05	3,826.50
2/1/2022	–	–	–	–	–	4,842.60	4,535.95	4,240.50	3,956.60
8/1/2022	–	–	–	–	–	5,000.00	4,685.60	4,382.55	4,091.15
2/1/2023	–	–	–	–	–	–	4,840.25	4,529.35	4,230.25
8/1/2023	–	–	–	–	–	–	5,000.00	4,681.10	4,374.05
2/1/2024	–	–	–	–	–	–	–	4,837.90	4,522.80
8/1/2024	–	–	–	–	–	–	–	5,000.00	4,676.55
2/1/2025	–	–	–	–	–	–	–	–	4,835.55
8/1/2025	–	–	–	–	–	–	–	–	5,000.00
2/1/2026	–	–	–	–	–	–	–	–	–
8/1/2026	–	–	–	–	–	–	–	–	–
2/1/2027	–	–	–	–	–	–	–	–	–
8/1/2027	–	–	–	–	–	–	–	–	–
2/1/2028	–	–	–	–	–	–	–	–	–
8/1/2028	–	–	–	–	–	–	–	–	–
2/1/2029	–	–	–	–	–	–	–	–	–
8/1/2029	–	–	–	–	–	–	–	–	–
2/1/2030	–	–	–	–	–	–	–	–	–
8/1/2030	–	–	–	–	–	–	–	–	–
2/1/2031	–	–	–	–	–	–	–	–	–
8/1/2031	–	–	–	–	–	–	–	–	–
2/1/2032	–	–	–	–	–	–	–	–	–
8/1/2032	–	–	–	–	–	–	–	–	–
2/1/2033	–	–	–	–	–	–	–	–	–
8/1/2033	–	–	–	–	–	–	–	–	–

Date	8/1/2026	8/1/2027	8/1/2028	8/1/2029	8/1/2030	8/1/2031	8/1/2032	8/1/2033
	6.85%	7%	7%	7%	7%	7%	7.10%	7.10%
1/27/2009	1,537.25	1,399.05	1,306.05	1,219.20	1,138.15	1,062.45	969.55	904.20
2/1/2009	1,538.40	1,400.15	1,307.05	1,220.15	1,139.00	1,063.25	970.30	904.90
8/1/2009	1,591.10	1,449.15	1,352.80	1,262.85	1,178.85	1,100.50	1,004.75	937.05
2/1/2010	1,645.60	1,499.85	1,400.15	1,307.05	1,220.15	1,139.00	1,040.40	970.30
8/1/2010	1,701.95	1,552.35	1,449.15	1,352.80	1,262.85	1,178.85	1,077.35	1,004.75
2/1/2011	1,760.25	1,606.70	1,499.85	1,400.15	1,307.05	1,220.15	1,115.60	1,040.40
8/1/2011	1,820.55	1,662.90	1,552.35	1,449.15	1,352.80	1,262.85	1,155.20	1,077.35
2/1/2012	1,882.90	1,721.15	1,606.70	1,499.85	1,400.15	1,307.05	1,196.20	1,115.60
8/1/2012	1,947.40	1,781.35	1,662.90	1,552.35	1,449.15	1,352.80	1,238.65	1,155.20
2/1/2013	2,014.05	1,843.70	1,721.15	1,606.70	1,499.85	1,400.15	1,282.65	1,196.20
8/1/2013	2,083.05	1,908.25	1,781.35	1,662.90	1,552.35	1,449.15	1,328.20	1,238.65
2/1/2014	2,154.40	1,975.05	1,843.70	1,721.15	1,606.70	1,499.85	1,375.35	1,282.65
8/1/2014	2,228.20	2,044.15	1,908.25	1,781.35	1,662.90	1,552.35	1,424.15	1,328.20
2/1/2015	2,304.50	2,115.70	1,975.05	1,843.70	1,721.15	1,606.70	1,474.70	1,375.35
8/1/2015	2,383.45	2,189.75	2,044.15	1,908.25	1,781.35	1,662.90	1,527.05	1,424.15
2/1/2016	2,465.05	2,266.40	2,115.70	1,975.05	1,843.70	1,721.15	1,581.30	1,474.70
8/1/2016	2,549.50	2,345.75	2,189.75	2,044.15	1,908.25	1,781.35	1,637.40	1,527.05
2/1/2017	2,636.80	2,427.85	2,266.40	2,115.70	1,975.05	1,843.70	1,695.55	1,581.30
8/1/2017	2,727.15	2,512.80	2,345.75	2,189.75	2,044.15	1,908.25	1,755.75	1,637.40
2/1/2018	2,820.55	2,600.75	2,427.85	2,266.40	2,115.70	1,975.05	1,818.05	1,695.55
8/1/2018	2,917.15	2,691.80	2,512.80	2,345.75	2,189.75	2,044.15	1,882.60	1,755.75
2/1/2019	3,017.05	2,786.00	2,600.75	2,427.85	2,266.40	2,115.70	1,949.45	1,818.05
8/1/2019	3,120.40	2,883.50	2,691.80	2,512.80	2,345.75	2,189.75	2,018.65	1,882.60
2/1/2020	3,227.25	2,984.45	2,786.00	2,600.75	2,427.85	2,266.40	2,090.30	1,949.45
8/1/2020	3,337.80	3,088.90	2,883.50	2,691.80	2,512.80	2,345.75	2,164.50	2,018.65
2/1/2021	3,452.10	3,197.00	2,984.45	2,786.00	2,600.75	2,427.85	2,241.35	2,090.30
8/1/2021	3,570.35	3,308.90	3,088.90	2,883.50	2,691.80	2,512.80	2,320.95	2,164.50
2/1/2022	3,692.65	3,424.70	3,197.00	2,984.45	2,786.00	2,600.75	2,403.35	2,241.35
8/1/2022	3,819.10	3,544.55	3,308.90	3,088.90	2,883.50	2,691.80	2,488.65	2,320.95
2/1/2023	3,949.90	3,668.65	3,424.70	3,197.00	2,984.45	2,786.00	2,577.00	2,403.35
8/1/2023	4,085.20	3,797.05	3,544.55	3,308.90	3,088.90	2,883.50	2,668.50	2,488.65
2/1/2024	4,225.15	3,929.95	3,668.65	3,424.70	3,197.00	2,984.45	2,763.20	2,577.00
8/1/2024	4,369.85	4,067.50	3,797.05	3,544.55	3,308.90	3,088.90	2,861.30	2,668.50
2/1/2025	4,519.50	4,209.85	3,929.95	3,668.65	3,424.70	3,197.00	2,962.90	2,763.20
8/1/2025	4,674.30	4,357.20	4,067.50	3,797.05	3,544.55	3,308.90	3,068.05	2,861.30
2/1/2026	4,834.40	4,509.70	4,209.85	3,929.95	3,668.65	3,424.70	3,177.00	2,962.90
8/1/2026	5,000.00	4,667.55	4,357.20	4,067.50	3,797.05	3,544.55	3,289.75	3,068.05
2/1/2027	–	4,830.90	4,509.70	4,209.85	3,929.95	3,668.65	3,406.55	3,177.00
8/1/2027	–	5,000.00	4,667.55	4,357.20	4,067.50	3,797.05	3,527.50	3,289.75
2/1/2028	–	–	4,830.90	4,509.70	4,209.85	3,929.95	3,652.70	3,406.55
8/1/2028	–	–	5,000.00	4,667.55	4,357.20	4,067.50	3,782.40	3,527.50
2/1/2029	–	–	–	4,830.90	4,509.70	4,209.85	3,916.65	3,652.70
8/1/2029	–	–	–	5,000.00	4,667.55	4,357.20	4,055.70	3,782.40
2/1/2030	–	–	–	–	4,830.90	4,509.70	4,199.70	3,916.65
8/1/2030	–	–	–	–	5,000.00	4,667.55	4,348.80	4,055.70
2/1/2031	–	–	–	–	–	4,830.90	4,503.15	4,199.70
8/1/2031	–	–	–	–	–	5,000.00	4,663.00	4,348.80
2/1/2032	–	–	–	–	–	–	4,828.55	4,503.15
8/1/2032	–	–	–	–	–	–	5,000.00	4,663.00
2/1/2033	–	–	–	–	–	–	–	4,828.55
8/1/2033	–	–	–	–	–	–	–	5,000.00