NEW ISSUE – FULL BOOK-ENTRY

RATINGS: Moody's: Aa2
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, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). In the further opinion of Bond Counsel, interest on the Series B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Series B Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds. See "TAX MATTERS" herein.

$105,000,149.70
GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2007-1 OF THE
POWAY UNIFIED SCHOOL DISTRICT, 2008 ELECTION, SERIES B
(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 B (the "Series B Bonds"), in the aggregate principal amount of $105,000,149.70, 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 B Bonds will be issued as capital appreciation Series B Bonds. The Series B 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 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") were issued on January 27, 2009, in the original par amount of $73,998,935.75 by the School District through the County of San Diego (the "County"), acting on behalf of the Improvement District. After the Series B Bonds are issued, no further material portion of the bond authorization will remain.

The Series B 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 Maturity Value and Accreted Value upon mandatory sinking fund redemption (as such terms are defined herein) of the Series B Bonds.

The Series B 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 B Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Series B Bonds. The Series B Bonds are dated the date of delivery of the Series B Bonds and accrete in value from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2012 (the "Accreted Value"). The Series B Bonds are issuable as fully-registered Series B Bonds with a Maturity Value of $5,000 or any integral multiple thereof. Payments of Maturity Value and Accreted Value upon mandatory sinking fund redemption of the Series B Bonds will be paid by the Paying Agent for the Series B 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 B Bonds. (See "THE SERIES B BONDS – Book-Entry-Only System.") Payment to registered owners of $1,000,000 or more in Accreted Value of the Series B Bonds, at the registered owner's written request, will be by wire transfer to an account in the continental United States of America.

The Series B Bonds are not subject to optional redemption but are subject to mandatory sinking fund redemption at the Accreted Value as of the applicable redemption date prior to maturity as described herein.

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

The Series B 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, Laguna Hills, 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 and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the Series B Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about August 11, 2011.

STONE & YOUNGBERG

The date of this Official Statement is July 28, 2011.

$105,000,149.70
GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2007-1 OF THE
POWAY UNIFIED SCHOOL DISTRICT, 2008 ELECTION, SERIES B
(SAN DIEGO COUNTY, CALIFORNIA)

MATURITY SCHEDULE
Base CUSIP® No. 738850†
$68,104,545.50 Capital Appreciation Series B Serial Bonds

Maturity (August 1)	Original Principal Amount	Maturity Value	Yield to Maturity	Accretion Rate	CUSP® No.†
2033	$6,570,615.00	$30,500,000	6.560%	7.110%	QY5
2034	9,192,225.60	46,680,000	6.640	7.200	QZ2
2035	8,803,904.00	48,320,000	6.720	7.230	RA6
2036	8,305,119.90	49,770,000	6.750	7.300	RB4
2037	7,923,383.30	51,010,000	6.760	7.300	RC2
2038	7,522,497.40	52,030,000	6.770	7.300	RD0
2039	7,107,169.80	52,810,000	6.780	7.300	RE8
2040	6,607,225.80	53,340,000	6.790	7.340	RF5
2041	6,072,404.70	53,610,000	6.800	7.400	RG3

$22,909,566.40 Original Principal Amount of Term Capital Appreciation Series B Bonds due August 1, 2046
Maturity Value $315,385,000 – Yield to Maturity 6.97% – Accretion Rate 7.64% – CUSP® No.† 738850RH1

$13,986,037.80 Original Principal Amount of Term Capital Appreciation Series B Bonds due August 1, 2051
Maturity Value $321,740,000 – Yield to Maturity 7.12% – Accretion Rate 8.00% – CUSP® No.† 738850RJ7

COUNTY OF SAN DIEGO, CALIFORNIA

BOARD OF SUPERVISORS

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

POWAY UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

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

SCHOOL DISTRICT ADMINISTRATION

John P. Collins, Ed.D., *Superintendent*
Malliga Tholandi, *Associate Superintendent, Business Support Services*

PROFESSIONAL SERVICES

BOND COUNSEL AND SCHOOL DISTRICT COUNSEL

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

DISCLOSURE COUNSEL

McFarlin & Anderson LLP
Laguna Hills, California

FINANCIAL ADVISOR

Dolinka Group, LLC
Irvine, California

BOND ADVANCEMENT PROGRAM MANAGER

California Financial Services
Mission Viejo, 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 B 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 SERIES B 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 SERIES B 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 B BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES B 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 B 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 B BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE SERIES B BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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$105,000,149.70
GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2007-1 OF THE
POWAY UNIFIED SCHOOL DISTRICT, 2008 ELECTION, SERIES B
(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 B 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 B, in the principal amount of $105,000,149.70 (the "Series B 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 (K-5), six (6) middle schools (6-8), five (5) comprehensive high schools (9-12), and one (1) continuation high school. The School District reported 34,135 students enrolled at the California Basic Educational Data System ("CBEDS") for Fiscal Year 2010-11.

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 certain existing community facilities districts formed by the School District under the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the California Government Code). The Improvement District encompasses approximately 65 square miles, representing approximately 65% of the territory of the School District. Based on the County Assessor's tax roll for Fiscal Year 2010-11, there were approximately 67,963 housing units in the entire School District of which approximately 47,006 were within the Improvement District. Approximately 21,046 of the School District's 34,135 students reside within the Improvement District.

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 general obligation bonds by the School District 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.

In conjunction with the general obligation authorization of the Improvement District, the School District developed a comprehensive long-term school funding program ("Poway School Facilities Funding

Program") in order to provide the funding needed for the School District's modernization and enhancement of existing school facilities ("Priority School Projects"), in cooperation with the Poway Unified School District Public Financing Authority, a joint powers entity formed pursuant to State law ("Authority"); and in 2008, the School District undertook, in cooperation with the Authority, a Bond Advancement Funding Program ("Bond Advancement Program"), further identified as the "Poway Unified School District Public Financing Authority Lease Revenue Bonds, Series 2008" (the "Lease Revenue Bonds") as an interrelated financing with the issuance of the authorized general obligation bonds, in order to provide for the School District's interim and long-term funding needs in order to proceed with the Priority School Projects in advance of the School District's receipt of State Funds and subsequent series of general obligation bonds issued under the 2008 voter authorization.

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") represented the first series of Bonds within the Authorization (as defined below) were issued on January 27, 2009, in the original par amount of $73,998,935.75. Subsequent thereto, the General Obligation Bond Anticipation Notes of School Facilities Improvement District No. 2007-1 of the Poway Unified School District, 2008 Election, Series 2010 (the "2010 Notes") were issued on March 25, 2010, in the original par amount of $24,998,006.60. The Series B Bonds will pay the 2010 Notes and redeem a portion of the Lease Revenue Bonds. After the Series B Bonds are issued, no further material portion of the bond authorization will remain. See "THE SERIES B BONDS – Authority for Issuance," "THE IMPROVEMENT DISTRICT," "THE SCHOOL DISTRICT" and "SCHOOL DISTRICT FINANCIAL INFORMATION" herein.

Sources of Payment for the Series B Bonds

The Series B 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 maturity value and Accreted Value as of a mandatory sinking fund redemption of the Series B 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 B BONDS – Security" herein.

Purpose of Issue

The Series B Bond proceeds, including net premium, are expected to be used (i) to pay the 2010 Notes in full on December 1, 2011, (ii) together with other available moneys on deposit with the trustee for the Lease Revenue Bonds in connection with the Bond Advancement Program, to partially redeem the Lease Revenue Bonds on the first dates on which the Lease Revenue Bonds may be redeemed and (iii) to pay certain costs of issuance of the Series B Bonds and certain costs related to refinancing of the 2010 Notes and Lease Revenue Bonds.

Description of the Series B Bonds

The Series B Bonds will be issued as capital appreciation bonds. The Series B Bonds mature on August 1 in the years indicated on the cover page hereof.

The Series B Bonds are payable only at maturity or mandatory sinking fund redemption and will not pay interest on a current basis. The Series B Bonds are dated the date of delivery of the Series B Bonds and accrete in value from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2012 (the "Accreted Value"). The maturity value (the "Maturity Value") of each Series B 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.

Registration. The Series B 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 B 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 B Bonds. See APPENDIX F – “BOOK-ENTRY SYSTEM.” In the event that the book-entry-only system described below is no longer used with respect to the Series B Bonds, the Series B Bonds will be registered in accordance with the Resolutions (as defined below). See “THE SERIES B BONDS – Registration, Transfer and Exchange of Series B Bonds.”

Denominations. Individual purchases of interests in the Series B Bonds will be available to purchasers of the Series B Bonds in denominations of $5,000 Maturity Value, or any integral multiple thereof.

Redemption. The Series B Bonds are not subject to optional redemption prior to maturity. The Series B Term Bonds maturing on August 1, 2046, and August 1, 2051, are subject to mandatory redemption at the Accreted Value thereof as of the redemption date prior to their stated maturity date from mandatory sinking fund payments beginning on August 1, 2042, and August 1, 2047, respectively.

Payments. Each Series B 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, 2012, and is payable only at maturity as shown on the cover hereof or pursuant to mandatory sinking fund redemption as described herein.

Tax Matters

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

Offering and Delivery of the Series B Bonds

The Series B 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 B Bonds will be available for delivery through the facilities of The Depository Trust Company on or about August 11, 2011.

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, 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 B 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, Laguna Hills, California, has served as special disclosure counsel to the School District with respect to the Series B Bonds. Bowie, Arneson, Wiles & Giannone, Newport Beach, California, is acting as counsel to the School District on matters related to the Series B Bonds. Jones Hall, A Professional Law Corporation, San Francisco, California is acting as counsel to the Underwriter. Dolinka Group, LLC, Irvine, California, serves as the School District's Financial Advisor and California Financial Services, Mission Viejo, California, serves as the School District's Bond Advancement Program Manager. The Treasurer-Tax Collector of the County (the "County Treasurer") will act as Paying Agent with respect to the Series B Bonds. The payment of fees and expenses of such firms and the County with respect to the Series B Bonds is contingent on the sale and delivery of the Series B Bonds. The School District's financial statements for the Fiscal Year ended June 30, 2010, 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 B Bonds are available from the Office of the Superintendent of the Poway Unified School District, 15250 Avenue of Science, San Diego, California 92128-3406, telephone number (858) 521-2703. 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 B 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 B Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section

27A of the United States Securities Exchange Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

THE SERIES B BONDS

Authority for Issuance

The Series B Bonds are issued pursuant to the provisions of California Government Code Sections 53506 *et seq.*, 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, and pursuant to resolutions adopted by the Board of Education of the School District on October 11, 2010 and on May 24, 2011, and by the Board of Supervisors of the County on December 7, 2010 (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 “Smaller Classes, Safer Schools and Financial Accountability Act” (also known as “Proposition 39”), as well as pursuant to the “Strict Accountability in Local School Construction Bonds Act of 2000.” The Series A Bonds represented the first series of Bonds within the Authorization and were issued on January 27, 2009, in the original par amount of $73,998,935.75. The Series B Bonds represent the second 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 March 2, 2011. 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 Lease Revenue Bonds and the 2010 Notes are permitted under the State Constitution and applicable statutes. See “INTRODUCTION – Purpose of Issue.” After the Series B Bonds are issued, no further material portion of the bond authorization remains.

Purpose of Issue

The Series B Bond proceeds, including net premium, are expected to be used (i) to pay the 2010 Notes in full on December 1, 2011, (ii) together with other available moneys on deposit with the trustee for the Lease Revenue Bonds in connection with the Bond Advancement Program, to partially redeem the Lease Revenue Bonds on the first dates on which the Lease Revenue Bonds may be redeemed and (iii) to pay certain costs of issuance of the Series B Bonds and certain costs related to refinancing of the 2010 Notes and Lease Revenue 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 Maturity Value and Accreted Value as of a mandatory sinking fund redemption of the Series B 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 B Bonds are outstanding in an amount sufficient to pay the Maturity Value and Accreted Value as of a mandatory sinking fund redemption of the Series B Bonds when due. Such taxes, when collected, will be deposited into the Series B 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 Maturity Value and Accreted Value as of a mandatory sinking fund redemption of the Series B Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Series B Bonds and to make timely payment of Maturity Value and Accreted Value as of a mandatory sinking fund redemption of the Series B Bonds when due, and will maintain the Debt Service Fund pledged to the repayment of the Series B Bonds, the Series B Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the Maturity Value and Accreted Value as of a mandatory sinking fund redemption of the Series B 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 Maturity Value and Accreted Value as of a mandatory sinking fund redemption, and interest to its Participants (as used in Appendix F hereto) for subsequent disbursement to the Beneficial Owners of the Series B Bonds.

The amount of the annual *ad valorem* tax levied by the County to repay the Series B 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 B Bonds in any year. Fluctuations in the annual debt service on the Series B 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 may issue additional series of Bonds for refunding purposes. 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 B BONDS" herein.

Description of the Series B Bonds; Payment

The Series B 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 B Bonds.

Payment of Maturity Value and Accreted Value as of a mandatory sinking fund redemption with respect to any Series B 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 Maturity Value and Accreted Value as of a mandatory sinking fund redemption of the Series B Bonds shall be payable in lawful money of the United States of America.

The Series B Bonds are dated the date of delivery of the Series B Bonds. The Series B Bonds are payable at the Maturity Value at maturity or at the Accreted Value as of a mandatory sinking fund redemption, according to the amounts set forth in the Accreted Values Table (see APPENDIX G – "ACCRETED VALUES TABLE" herein). The Series B Bonds will not bear interest on a current basis. The Series B Bonds shall be issued in any denomination of their Principal Amounts but shall reflect denominations of $5,000 Maturity Value or integral multiples thereof. 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 Series B Bonds shall be compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2012, 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 Series B Bonds shall have the principal and Maturity Value amounts as shown on the cover hereof. Accreted Values of the Series B Bonds on each compounding date prior to maturity are indicated on the table set forth in Appendix G herein. Information on Accreted Values in this Official Statement and the Accreted Values table in Appendix G has 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 B Bonds. The Series B 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 B Bond certificate will be issued for each maturity of the Series B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX F – "BOOK-ENTRY SYSTEM."

Paying Agent

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

The Paying Agent is authorized to pay the Series B Bonds when duly presented for payment at maturity, and to cancel all Series B Bonds upon payment thereof. The Series B 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 B Bonds.

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

No Optional Redemption

The Series B Bonds are <u>not</u> subject to optional redemption prior to their fixed maturity dates.

Mandatory Sinking Fund Redemption

The Series B Bonds maturing on August 1, 2046, are subject to mandatory sinking fund redemption by lot on August 1 in each of the years and in the respective Accreted Value amounts set forth below, at a redemption price equal to 100% of the Accreted Value amount to be redeemed, without premium:

Mandatory Sinking Fund Redemption Dates (August 1)	Accreted Value Amount to be Redeemed
2042	$53,739,730.80
2043	53,875,525.05
2044	54,007,131.30
2045	54,148,712.40
2046 (maturity)	54,275,000.00

The Series B Bonds maturing on August 1, 2051, are subject to mandatory sinking fund redemption by lot on August 1 in each of the years and in the respective Accreted Value amounts set forth below, at a redemption price equal to 100% of the Accreted Value amount to be redeemed, without premium:

Mandatory Sinking Fund Redemption Dates (August 1)	Accreted Value Amount to be Redeemed
2047	$54,414,484.30
2048	54,555,099.30
2049	54,685,830.00
2050	54,825,815.00
2051 (maturity)	54,965,000.00

Selection of Series B Bonds for Redemption

Within a maturity, the Paying Agent shall select Series B Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; *provided, however*, that the portion of any Series B Bond to be redeemed in part shall be in the Maturity Value of $5,000 or any integral multiple thereof.

Notice of Redemption

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

Notice of redemption of the Series B Bonds shall be mailed by the Paying Agent first-class, postage prepaid, to the respective Owners of any Series B Bonds designated for redemption at their address appearing on the Bond Register required to be kept by the Paying Agent, not less than 30 nor more than 60 days prior to the corresponding redemption date. Any such redemption, or notice of such redemption shall be subject to the provisions regarding "Contingent Redemption; Rescission of Redemption" described below.

The Paying Agent shall take the following additional actions with respect to such Redemption Notice:

a. At least 32 but not more than 60 days before the redemption date, such Redemption Notice shall be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to each of the Securities Depositories defined in the Resolutions.

b. At least 32 but not more than 60 days before the redemption date, such Redemption Notice shall be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services defined in the Resolutions.

Neither failure to receive such Redemption Notice nor any defect in any Redemption Notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Series B Bonds or the cessation of accrual of interest represented thereby from and after the redemption date.

Partial Redemption of Series B Bonds

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

Effect of Notice of Redemption

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

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

All Series B Bonds paid at maturity or redeemed prior to maturity pursuant to the Resolutions shall be cancelled upon surrender thereof and be delivered to or upon the order of the County and the School District. All or any portion of a Series B Bond purchased by the County and the School District shall be cancelled by the Paying Agent.

Defeasance

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

a. Cash. By irrevocably depositing with a bank or trust company in escrow an amount of cash which, together with amounts then on deposit in the Debt Service Fund, is sufficient to pay all Series B Bonds outstanding and designated for defeasance, including all principal and interest; or

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

then, notwithstanding that any of such Series B Bonds shall not have been surrendered for payment, all obligations of the Improvement District with respect to all such designated outstanding Series B 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 B 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 B Bonds

So long as any of the Series B 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 B Bonds as provided in the Resolutions (the "Bond Register"). Subject to the provisions of the Resolutions, the person in whose name a Series B Bond is registered on the Bond Register shall be regarded as the absolute owner of that Series B Bond for all purposes of the Resolutions. Payment of or on account of the Maturity Value and Accreted Value as of a mandatory sinking fund redemption of any Series B 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 B Bonds, including interest, 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 B Bonds, the following provisions will govern the transfer and exchange of the Series B Bonds.

Any Series B Bond may be exchanged for Series B Bonds of like tenor, maturity and Maturity Value 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 B 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 B 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 B 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 B Bond or Series B Bonds of like tenor and of any authorized denomination or denominations requested by the registered owner equal to the Maturity Value of the Series B Bond surrendered and accreting interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Series B Bonds, the County shall sign and the Paying Agent shall authenticate and deliver Series B 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 B 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 B Bonds surrendered upon that exchange or transfer.

Any Series B 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 B Bonds that the School District and the County may have acquired in any manner whatsoever, and those Series B Bonds shall be promptly canceled by the Paying Agent. Written reports of the surrender and cancellation of Series B Bonds shall be made to the School District and the County by the Paying Agent and updated annually. The canceled Series B 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 (a) to issue or transfer any Series B Bonds during a period beginning with the opening of business on the 16th day of the month next preceding either any Bond Payment Date or any date of selection of Series B Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption is given or (b) to transfer any Series B Bonds which have been selected or called for redemption in whole or in part.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Series B Bonds	$105,000,149.70
Original Issue Premium	21,360,189.45
Total Sources	$126,360,339.15
Uses of Funds	
Deposit relating to partial payment of Lease Revenue Bonds[(1)]	$98,707,473.55
Deposit for full payment of 2010 Notes	26,270,000.00
Costs of Issuance[(2)]	569,114.44
Underwriter's Discount	813,751.16
Total Uses	$126,360,339.15

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(1) *Includes $98,327,473.55 for partial payment of the Lease Revenue Bonds and $380,000 for payment of costs associated with refinancing the Lease Revenue Bonds.*

(2) *Includes, among other things, the fees and expenses of Bond Counsel, the fees and expenses of Disclosure Counsel, the fees and expenses of District Counsel, the fees and expenses of the Paying Agent, the fees and expenses of 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 B Bonds, as well as costs associated with refinancing the 2010 Notes.*

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Series B Bonds and the outstanding Series A Bonds of the Improvement District.

		Series B Bonds Debt Service			
Year Ending August 1	**Series A Total Annual Debt Service**	**Principal Payment**	**Compounded Interest Payment[1]**	**Series B Total Annual Debt Service**	**Total Combined Annual Debt Service**
2012	-				
2013	-				
2014	-				
2015	-				
2016	-				
2017	$3,720,000				$3,720,000.00
2018	4,580,000				4,580,000.00
2019	5,525,000				5,525,000.00
2020	6,560,000				6,560,000.00
2021	7,690,000				7,690,000.00
2022	8,925,000				8,925,000.00
2023	10,275,000				10,275,000.00
2024	11,745,000				11,745,000.00
2025	13,355,000				13,355,000.00
2026	15,095,000				15,095,000.00
2027	17,005,000				17,005,000.00
2028	19,070,000				19,070,000.00
2029	21,350,000				21,350,000.00
2030	23,800,000				23,800,000.00
2031	26,455,000				26,455,000.00
2032	48,960,000				48,960,000.00
2033	16,615,000	6,570,615.00	23,929,385.00	30,500,000.00	47,115,000.00
2034	-	9,192,225.60	37,487,774.40	46,680,000.00	46,680,000.00
2035	-	8,803,904.00	39,516,096.00	48,320,000.00	48,320,000.00
2036	-	8,305,119.90	41,464,880.10	49,770,000.00	49,770,000.00
2037	-	7,923,383.30	43,086,616.70	51,010,000.00	51,010,000.00
2038	-	7,522,497.40	44,507,502.60	52,030,000.00	52,030,000.00
2039	-	7,107,169.80	45,702,830.20	52,810,000.00	52,810,000.00
2040	-	6,607,225.80	46,732,774.20	53,340,000.00	53,340,000.00
2041	-	6,072,404.70	47,537,595.30	53,610,000.00	53,610,000.00
2042	-	5,268,942.40	48,470,788.40	53,739,730.80	53,739,730.80
2043	-	4,900,657.60	48,974,867.45	53,875,525.05	53,875,525.05
2044	-	4,557,796.80	49,449,334.50	54,007,131.30	54,007,131.30
2045	-	4,239,633.60	49,909,078.80	54,148,712.40	54,148,712.40
2046	-	3,942,536.00	50,332,464.00	54,275,000.00	54,275,000.00
2047	-	3,237,210.90	51,177,273.40	54,414,484.30	54,414,484.30
2048	-	3,000,734.10	51,554,365.20	54,555,099.30	54,555,099.30
2049	-	2,780,993.25	51,904,836.75	54,685,830.00	54,685,830.00
2050	-	2,577,771.00	52,248,044.00	54,825,815.00	54,825,815.00
2051	-	2,389,328.55	52,575,671.45	54,965,000.00	54,965,000.00

(1) *Represents compounded interest on the Series B Bonds.*

APPLICATION OF PROCEEDS OF SERIES B BONDS

Payment of 2010 Notes and Lease Revenue Bonds

The Series B Bond proceeds, including net premium, are expected to be used (i) to pay the 2010 Notes in full on December 1, 2011, (ii) together with other available moneys on deposit with the trustee for the Lease Revenue Bonds in connection with the Bond Advancement Program, to partially redeem the Lease Revenue Bonds on the first dates on which the Lease Revenue Bonds may be redeemed and (iii) to pay certain costs of issuance of the Series B Bonds and certain costs related to refinancing of the 2010 Notes and Lease Revenue Bonds.

Debt Service Fund

The *ad valorem* property taxes levied by the County for the payment of the Series B Bonds, when collected, will be deposited into the Debt Service Fund. The Series B 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 Maturity Value and Accreted Value as of a mandatory sinking fund redemption of the Series B Bonds when due.

Permitted Investments

The County Treasurer is authorized to invest all proceeds of taxes for payment of the Series B 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 proceeds of taxes collected for payment of the Series B 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 B Bonds necessary in order to maintain the then-current rating on the Series B Bonds or in the Local Agency Investment Fund established by the State Treasurer.

See APPENDIX E – "SAN DIEGO COUNTY INVESTMENT POOL."

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Maturity Value and Accreted Value as of a mandatory sinking fund redemption of *the Series B Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE SERIES B 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 B Bonds. The tax levied by the County for payment of the Series B 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 B 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 allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

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 State's 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 School District's appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2008-09 Fiscal Year were equal to the allowable limit of $181,485,381 and for the 2009-10 Fiscal Year were equal to the allowable limit of $181,295,795. The School District currently estimates an appropriations limit for 2010-11 of $177,680,350. Any proceeds of taxes received by the School 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 ("Proposition 98"), a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of State General Fund revenues as the percentage appropriated to such districts in 1986-87 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 State Legislature (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 budget 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 "SCHOOL 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. <u>Annual Adjustments to Spending Limit</u>. 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. <u>Treatment of Excess Tax Revenues</u>. "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. Exclusions from Spending Limit. 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. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, was recalculated beginning in Fiscal Year 1990-91. It is based on the actual limit for Fiscal Year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State General Fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 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 B Bonds represent a contract between the School District and the Owner secured by the collection of *ad valorem* property taxes. While not free from doubt, it is likely that, once the Series B 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 B 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.

Jarvis v. Connell

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

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A ("Proposition 1A"), which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocation the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2008-09, the State could shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

See "EFFECT OF STATE BUDGET ON REVENUES – 2008-09 State Budget; 2009-10 State Budget."

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as "Proposition 39") to the California Constitution. Upon passage of Proposition 39, implementing legislation entitled "Strict Accountability in Local School Construction Bonds Act of 2000" (the "Strict Accountability in Local School Construction Bonds Act") became operative. Proposition 39 (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 of Proposition 39 may be changed only with another state-wide vote of the people. The statutory provisions of the Strict Accountability in Local School Construction Bonds Act, as amended, may 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 and implementing legislation 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. The Strict Accountability in Local School Construction Bonds Act, approved in June 2000, as amended, 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 per $100,000 of taxable property value for a unified school district or school facilities improvement district formed by a unified school district. These requirements are not part of Proposition 39 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

Articles XIIIA, XIIIB, XIIIC, XIIID and Propositions 98, 111, 218, IA and 39 were each 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.

EFFECT OF STATE BUDGET ON REVENUES

The information in this Section concerning the State of California (the "State") budget and State 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 interest, Maturity Value and Accreted Value as of a mandatory sinking fund redemption of the Series B Bonds, is payable from the general fund of the School District. The Series B 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 B Bonds. See "THE SERIES B BONDS – Security" herein.

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 "SCHOOL 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 "SCHOOL DISTRICT FINANCIAL INFORMATION – Financial Statements" herein for information regarding revenues received by the School District from all State sources. Commencing with Fiscal Year 2009-10, various mandates and restrictions on local school districts were removed, allowing flexibility to spend funding for 42 categorical programs as school districts wish through Fiscal Year 2012-13. Revenues received by the School District from all State sources accounted for approximately 84.95% of total general fund revenues in Fiscal Year 2010-11 and is estimated to account for approximately 86.44% of total general fund revenues in Fiscal Year 2011-12.

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.

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 Series B Bonds and the School District takes no responsibility for informing Owners of the Series B 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 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 Analyst'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 B Bonds to provide State budget* *information to the School District or the Owners of the Series B 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.*

Past State Budgets; 2011-12 State Budget

2009-10 State Budget. The State has struggled with its budget throughout the last decade. The following is a review of events since September 23, 2008, (except for the Fiscal Year 2010-11 budget, the latest budget approval in State history), the date the Governor signed the State Budget Act for Fiscal Year 2008-09 (the "2009 Budget Act"). The 2009 Budget Act estimated a deficit in Fiscal Year 2008-09 of $14.8 billion. If unaddressed, the budget proposal estimated the deficit would grow to $41.6 billion by the end of the next fiscal year. The budget projected that even if the Legislature enacted all of the special session solutions by February 1, 2009, the State would be unable to pay all of its bills beginning in March 2009.

On January 9, 2009, the Governor presented a proposed Fiscal Year 2009-10 State budget and declared a fiscal emergency which triggered a special session of the Legislature and gave legislators 45 days to act on short term solutions. The proposed Fiscal Year 2009-10 State budget provided for a variety of cuts in spending in Fiscal Year 2009-10 budget expenditures.

On February 19, 2009, each House of the Legislature approved a budget package intended to address an estimated $42 billion deficit through June 2010, including revisions to the Fiscal Year 2008-09 budget and adoption of the Fiscal Year 2009-10 budget. The Governor signed the budget package on February 20, 2009, and used his line-item veto authority to reduce a number of items in the budget package. The budget package included approximately $15 billion in spending cuts, approximately $13 billion in temporary tax increases, approximately $5 billion in borrowing and approximately $8 billion in federal funds through the American Recovery and Reinvestment Act of 2009. The budget relied on approval of several budget-related ballot measures at a special state-wide election held on May 19, 2009.

In its March 13, 2009, revenue forecast update, the Legislative Analyst's Office estimated that revenues might fall short of the assumptions in the budget package by approximately $8 billion. The Legislative Analyst's Office also indicated a number of the adopted solutions – revenue increases and spending reductions – were of a short-term duration, and therefore, without corrective actions, the State's significant operating shortfalls would reappear in future years – estimated by the Legislative Analyst's Office to grow from $12.6 billion in Fiscal Year 2010-11 to $26 billion in Fiscal Year 2013-14.

On May 14, 2009, the Governor presented two versions of his May Revision to the Budget, one for if the budget-related ballot measures mentioned above passed and one for if the budget-related ballot measures failed. None of the budget-related ballot measures passed at the special election. The version of the May Revision relating to failure of the budget-related ballot measures included approximately $5.4 billion of additional reductions in school funding which could result in a shortened school year, increased class sizes, layoff of more teachers and other cost reductions in order to meet the reduced funding levels. On June 2, 2009, the Governor addressed a joint session of the Legislature and encouraged quick action to address budget issues.

However, after the failure in May 2009 of six revenue and spending propositions on the state-wide ballot, the passage of which were assumed in the budget bill, work began again on a Fiscal Year 2009-10 budget plan. The budget issues resulted in the State making some payments starting in July 2009 with registered warrants (a form of IOU). The registered warrants became payable September 4, 2009. On July 24, 2009, the Legislature approved a new budget package, which the Governor signed on July 28, 2009.

The amended Fiscal Year 2009-10 State Budget consisted of some 30 separate bills. Subsequent legislation further affected budget totals for the State's Fiscal Year 2009-10.

The amended Fiscal Year 2009-10 State Budget achieved balance through substantial spending cuts, assumed additional revenue generation, borrowing from local governments and others, revenue shifts from redevelopment agencies and other accounting changes, including deferral of payments from the State to K-12 school districts from Fiscal Year 2008-09 to Fiscal Year 2009-10.

State savings were also achieved by lifting various mandates and restrictions on local school districts; flexibility is allowed to spend funding for 42 categorical programs as school districts wish through Fiscal Year 2012-13; the penalties associated with class-size reduction in grades K-3 are largely reduced, and the minimum days of instruction were reduced from 180 to 175, through reduced or suspended financial penalties on school districts that do not meet existing requirements; school districts are excused from buying new approved instructional materials; proceeds of surplus land sales otherwise restricted to capital improvements are permitted to be used for general fund expenditures through calendar year 2011; the general fund reserve requirement is reduced to one-third of the otherwise applicable percentage (3% of expenditures for a school district with average daily attendance of up to 30,000), *provided* this is restored by Fiscal Year 2011-12; the routine maintenance reserve requirement of 3% of general fund expenditures is suspended; and school districts that project they will not meet financial guidelines due to loss of federal stimulus funding in Fiscal Years 2011-12 and 2012-13 will not have their budgets negatively rated as a result. See the California Department of Finance and Legislative Analyst's Office websites for details http://www.dof.ca.gov and http:/www.lao.ca.gov (these references are for convenience of reference only and not considered to be incorporated as part of this Official Statement).

The State budget situation is also affected by the Federal American Recovery and Reinvestment Act of 2009. In 2009, the State began receiving funds under the federal legislation. Approximately $8 billion of such funding was taken into account in the budget package referenced above.

2010-11 State Budget. Since the enactment of the Fiscal Year 2009-10 Budget in July 2009, the estimated budget deficit for Fiscal Year 2010-11 increased from approximately $7 billion to approximately $20 billion due to: (1) decreased revenues due to the recession, (2) court decisions which blocked the implementation of certain solutions approved by the Legislature in 2009, (3) the erosion in the value of some of the savings proposals adopted in 2009, and (4) additional costs associated with population driven and caseload driven entitlement programs.

Governor Schwartzenegger released the proposed Fiscal Year 2010-11 State Budget on January 8, 2010. The proposed Fiscal Year 2010-11 State Budget included cuts in education, healthcare, social services and transit. With respect to education, total 2010-11 Proposition 98 funding was proposed at $50 billion, which reflected an increase of $100 million over the revised estimate of $49.9 billion for Fiscal Year 2009-10. As part of a compromise in the July 2009 Budget Review, the Proposition 98 funding level for Fiscal Year 2008-09 was certified through legislation at $49.1 billion. As proposed the State General Fund comprised approximately $34.7 billion of total proposed Proposition 98 funding for Fiscal Year 2010-11. These totals included funding for K-12 school districts and community colleges. The proposed level of funding met the Proposition 98 funding requirements but did so by incorporating proposals which affected State General Fund revenues in a manner which resulted in lower Proposition 98 funding in Fiscal Years 2009-10 and 2010-11 than would otherwise have occurred in the absence of such proposals. The Governor signed the 2010-11 State Budget on October 8, 2010, the latest budget approval in State history.

At a 45-day special legislative session during January and February 2010, additional payment deferrals from the State to K-12 school districts for Fiscal Year 2010-11 were enacted as part of legislation to provide additional cash management flexibility to State fiscal officials (the "Cash Management Bill"). The Cash Management Bill authorizes deferral of certain payments during Fiscal Year 2010-11 for school districts (not to exceed $2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). Deferrals of payments to K-12 schools may be made in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, the Controller, Treasurer and Director of Finance may either accelerate or delay the deferrals up to 30 days, or reduce the amounts deferred. In July 2010, State officials delayed school payments of $2.5 billion. As a result of the delay in approval of the 2010-11 State budget, on August 23, 2010, State officials announced the State would delay school payments of $2.5 billion in September 2010, rather than in October 2010. The School District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the Cash Management Bill, the School District might find it necessary to increase the size or frequency of its cash flow borrowings in Fiscal Year 2011-12.

Ballot Propositions. On November 2, 2010, voters approved Propositions 22, 25 and 26. Proposition 22 prohibits State legislators from using existing funds allocated to local government, public safety and transportation. Proposition 25 lowered the vote threshold for lawmakers to pass the State budget from two-thirds to a simple majority. Proposition 26 requires a two-thirds affirmative vote in the State Legislature and local governments to pass many fees, levies, charges and tax revenue allocations that under previous rules could be enacted by a simple majority vote.

Current State Budget Issues; Legislation Regarding Redevelopment Funding Mechanisms. On December 6, 2010, Governor Schwarzenegger called an emergency session of the Legislature to address the $6.1 billion projected deficit for Fiscal Year 2010-11. On January 20, 2011, Governor Brown extended the state of fiscal emergency for an additional 45 days. During budget briefings held in December 2010, then Governor-elect Jerry Brown announced that the projected deficit through June 30, 2012 had likely grown from the $25.1 billion reported in the Fiscal Outlook Report to approximately $28 billion.

On January 3, 2011, Jerry Brown was sworn in as Governor and on January 10, 2011, the Governor released his proposed budget for Fiscal Year 2011-12 ("Proposed Budget"). The Proposed Budget was designed to address an estimated budget shortfall of $25.4 billion in the Fiscal Year 2011-12 California State Budget. The budget shortfall consisted of an $8.2 billion projected deficit for Fiscal Year 2010-11 and a $17.2 billion gap between projected revenues and spending in Fiscal Year 2011-12. The Governor's proposal included approximately $12.5 billion in budget cuts, $12 billion in tax extensions and changes, and $1.9 billion in other solutions. The Governor proposed calling a statewide special election in June to extend for five more years tax measures currently set to expire.

The proposed State Budget included cuts in a number of areas and a realignment of services from the State to local governments. With respect to education, total 2011-12 Proposition 98 funding was proposed at approximately $49 billion, which reflected approximately the same amount as Fiscal Year 2009-10. The State General Fund comprised approximately $36 billion of total proposed Proposition 98 funding for Fiscal Year 2011-12. These totals include funding for K-12 schools and community colleges. The proposed level of funding met the Proposition 98 funding requirements but did so by incorporating proposals which deferred approximately $2.1 billion in K-12 and community college costs to Fiscal Year 2012-13. The proposed State Budget also extended various flexibility options for school districts for two additional years.

The Proposed Budget proposed elimination of the current funding mechanism for redevelopment agencies (the "RDA Provisions"). By July 1, 2011, existing agencies were to be disestablished and successor local agencies would be required to use the tax increment revenues that redevelopment agencies would otherwise have received to retire redevelopment agency debts and contractual obligations "in accordance with existing payment schedules." The RDA Provisions would have diverted what was estimated in the Proposed Budget as $1.7 billion in Fiscal Year 2011-12 to offset State General Fund costs for Medi-Cal and trial courts. An additional estimated $210 million would be distributed on a one-time basis to cities, counties, and special districts proportionate to their current share of the countywide property tax. The RDA Provisions proposed that, after Fiscal Year 2011-12, the money available after payment of the redevelopment agency debt and contractual obligations would be distributed to schools, counties, cities, and non-enterprise special districts for general uses.

The Governor's May Revision (the "2011 May Revision") to the Proposed Budget was released on May 16, 2011. The 2011 May Revision reflected an estimated $6.6 billion in new state revenues over the Proposed Budget's estimated amounts for Fiscal Year 2010-11 and Fiscal Year 2011-12. With respect to education, the 2011 May Revision provided an additional $3 billion to schools in Fiscal Year 2011-12 but approximately $2.85 billion would have gone toward eliminating deferrals, not increased revenue limit funding, and $2.1 billion of that amount would be used to eliminate the K-12 deferral referenced above contained in the Proposed Budget. The 2011 May Revision assumed tax extensions would be approved by the voters and assumed a vote by the Legislature to temporarily extend the taxes until a public vote in November 2011. If tax extensions were not approved and other offsetting revenues generated, school funding in Fiscal Year 2011-12 would likely have been reduced. The 2011 May Revision included the proposed elimination of the RDA Provisions.

The Governor signed the 2011-12 State Budget (the "2011-12 State Budget") on June 30, 2011, one of the earliest budget approvals in State history. The 2011-12 State Budget reflects an estimated $85.9 billion in general fund spending, an approximately 6.1% reduction from Fiscal Year 2010-11. Since the 2011 May Revision, tax receipts came in higher than expected by an estimated $1.2 billion in May and June 2011. With the improved revenue receipts, the Budget projects an additional $4 billion in estimated 2011-12 revenues in addition to the $6.6 billion in higher tax receipts reflected in the 2011 May Revision. The 2011-12 Budget includes a major realignment of public safety programs from the State to local governments and makes substantial cuts to various State programs. The 2011-12 Budget maintains K-12 education funding at levels similar to Fiscal Year 2010-11 funding. The 2011-12 Budget recognizes the potential risk to the State's fiscal condition if the higher revenue estimates do not materialize and includes additional cuts to higher education, health and human services and public safety if revenues are projected to fall short of expectations by more than $1 billion with additional cuts in education, such as shortening the school year by 7 days, eliminating home-to-school transportation program and reducing community college apportionments if revenues are projected to fall short by more than $2 billion. The 2011-12 State Budget indicates the Governor plans to seek voter approval of a ballot measure by November 2012 to constitutionally protect public safety realignment, supplementing the State's revenues to restore education funding, paying down the State debt and balancing the budget into the future. With respect to education, among other provisions, the 2011-12 Budget defers approximately $2.1 billion in K-12 funding, extends flexibility options to school districts for an additional two years, decreases part-day State preschool funding and shifts mental health services from counties to schools. The 2011-12 State Budget includes provisions similar to the proposed elimination of the RDA Provisions, but each redevelopment agency may avoid elimination by choosing to make remittances to K-12 school districts and county offices of education located within the applicable project area. Such remittances in the aggregate are estimated to total approximately $1.7 billion in 2011-12 to K-12 school districts and county offices of education. Additional changes to the 2011-12 Budget may occur in the future and the School District cannot predict what funding for, and provisions relating, to school districts will ultimately apply to the School District in Fiscal Year 2011-12.

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 a projected structural State budget deficit and 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 Series A Bonds and the Series B Bonds would not be impaired. Including the 2011-12 Budget, the Governor and the State Legislature came within several weeks of meeting the statutory deadline for approval of the State Budget only three times since Fiscal Year 2001-02.

The Series B Bonds are general obligation bonds of the School District, on behalf of the Improvement District, payable from an *ad valorem* tax required to be levied by the County in an amount sufficient for the payment of the Series B Bonds 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 B Bonds. **It should not be inferred from the inclusion of this information in this Official Statement that the Maturity Value and Accreted Value as of a mandatory sinking fund redemption of the Series B Bonds is payable from the general fund of the School District.** See "THE SERIES B BONDS – Security" herein.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the deceases in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed values of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice of 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

Litigation Challenging the System of Financing for Public Schools in California

On May 20, 2010, a plaintiff class of numerous current California public school students and public school districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association, filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Maya Robles-Wong, et al. v. State of California*, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance and to design, enact, fund and implement a system of public school finance that is intentionally, rationally and demonstrably aligned with the State's prescribed educational program and provides equal access and an equal educational opportunity to all school-aged children in the State. On September 14, 2010, the State requested the court sustain its demurrer seeking to dismiss the plaintiff's class's complaints. On December 10, 2010, the plaintiff answered the demurrer and urged the court to deny the State's request. No ruling has been made on the demurrer and no court date has been set. The School District is not a party to the *Robles-Wong* litigation and cannot predict the outcome or impact of the litigation.

Additionally, a settlement of a lawsuit between the State and the American Civil Liberties Union ("ACLU") in which the ACLU alleged that the State was failing to monitor and prevent school districts from charging fees to students in violation of the free school guarantee in the California Constitution. Essentially, California's Constitutional provision prohibiting student fees applies to curricular and extracurricular educational activities, unless the fees are authorized by the Legislature. The impact of the lawsuit and proposed Legislation (AB 165) to California school districts is difficult to predict and as a result, the School District has set aside approximately $290,000 for Fiscal Year 2010-11, $300,000 in Fiscal Year 2011-12 and $300,000 in Fiscal Year 2012-13 as part of its ending fund balance reserves to fulfill its basic duty to provide student supplies which are necessary to fulfill the School District's educational programs pursuant to Education Code 38118.

THE IMPROVEMENT DISTRICT

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. Based on the County Assessor's tax roll for Fiscal Year 2010-11, there were approximately 67,963 housing units in the entire School District of which approximately 47,006 were within the Improvement District. The School District reported 34,135 students enrolled at the California Basic Educational Data System ("CBEDS") for Fiscal Year 2010-11, of which approximately 21,046 of the School District's students reside within the Improvement District. 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 B 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 B 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 B 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 B 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 or similar entities 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 2010-11 of $20,033,875,198, representing about 70.6% of the total assessed valuation of the School District.

TABLE 1

ASSESSED VALUATION OF PROPERTIES WITHIN SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2007-1 OF THE POWAY UNIFIED SCHOOL DISTRICT

2008-09 to 2010-11 ASSESSED VALUATION

	Local Secured	Utility	Unsecured	Total
2008-09 [1]	$19,493,116,273	$1,079,418	$624,788,734	$20,118,984,425
2009-10	19,481,742,413	1,079,418	684,283,290	20,167,105,121
2010-11	19,365,522,005	1,079,418	667,273,775	20,033,875,198

(1) Estimated by deducting from the aggregate valuation of School Facilities Improvement District No. 2002-1 of the School District the assessed valuations of 254 parcels (Community Facilities District No. 13 of the Poway Unified School District), which are not included in the Improvement District, and by adding the assessed valuation of 28 parcels (Kentfield Estates), which are not included in SFID No. 2002-1 but which are in the Improvement District. The final boundaries of the Improvement District were not finalized by the State Board of Equalization until Fiscal Year 2009-10.

Source: California Municipal Statistics, Inc.

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 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 School 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 B Bonds.

The *ad valorem* property tax to be levied to pay the Maturity Value and Accreted Value as of a mandatory sinking fund redemption of the Series B Bonds is subject to the Teeter Plan. The School District will receive 100% of the *ad valorem* property tax levied to pay the Series B 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

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school general obligation bonds and other voter-approved indebtedness.

There are a total of approximately 250 tax rate areas in the Improvement District. The table below provides a five-year historical total *ad valorem* tax rates levied by all taxing entities in two representative Tax Rate Areas in the Improvement District: Tax Rate Area 8-262 (located in the City, representing approximately $10,529,085,055 of assessed value or approximately 52.56% of the total assessed value of $20,033,875,198 in the Improvement District) and Tax Rate Area 17-030 (located in the unincorporated area of the County, representing approximately $655,824,404 of assessed value or approximately 3.27% of the total assessed value of $20,033,875,198 in the Improvement District.

TABLE 2

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

Typical Tax Rates (TRA8-262)[1]

	2006-07	2007-08	2008-09	2009-10	2010-11
General	1.00000	1.00000	1.00000	1.00000	1.00000
City of San Diego	.00624	.00619	.00608	.00613	.00616
Palomar Community College District	-	.00984	.01322	.00862	.01472
Poway Unified School District SFID No. 2002-1	.04627	.04460	.04704	.05500	.05500
Poway Unified School District SFID No. 2007-1	-	-	-	-	.00000
Palomar Pomerado Healthcare District	.01775	.01775	.01775	.01775	.02350
Metropolitan Water District	.00470	.00450	.00430	.00430	.00370
	1.07496	1.08288	1.08839	1.09180	1.10308

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

	2006-07	2007-08	2008-09	2009-10	2010-11
General	1.00000	1.00000	1.00000	1.00000	1.00000
Palomar Community College District	-	.00984	.01322	.00862	.01472
Poway Unified School District SFID No. 2002-1	.04627	.04460	.04704	.05500	.05500
Poway Unified School District SFID No. 2007-1	-	-	-	-	.00000
Palomar Pomerado Healthcare District	.01775	.01775	.01775	.01775	.02350
Metropolitan Water District	.00470	.00450	.00430	.00430	.00370
	1.06872	1.07669	1.08231	1.08567	1.09692

(1) 52.56% of total Improvement District valuation.
(2) 3.27% of total Improvement 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 2010-11.

TABLE 3

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

Largest 2010-11 Local Secured Taxpayers

	Property Owner	Primary Land Use	2010-11 Secured Assessed Valuation	% of Total(1)
1.	Sorrento West Properties Inc.	Industrial	$ 199,994,106	1.03%
2.	Kilroy Realty LP	Office Building	161,451,777	0.83
3.	SMBC Leasing and Finance Inc.	Office Building	150,000,000	0.77
4.	Hewlett-Packard Co.	Industrial	148,141,773	0.76
5.	Slough Poway I LLC	Industrial	139,236,693	0.72
6.	Cymer Inc.	Office Building	124,506,752	0.64
7.	Point Office Partners LLC	Office Building	93,414,080	0.48
8.	Sony Electronics Inc.	Industrial	90,240,338	0.47
9.	Bernardo Technology Partners I LLC	Office Building	79,943,971	0.41
10.	Bernardo Summit LLC	Industrial	78,169,103	0.40
11.	BAE Systems Mission Solutions Inc.	Industrial	74,797,527	0.39
12.	Apple Seven Hospitality Ownership Inc.	Hotel	73,785,710	0.38
13.	PDP Pomerado LLC	Office Building	70,893,303	0.37
14.	Rreef American REIT II Portfolio LP	Office Building	61,598,484	0.32
15.	SNHFM Financing LLC	Convalescent Home	61,003,091	0.32
16.	Arden Realty LP	Office Building	59,564,659	0.31
17.	Teradata US Inc.	Office Building	57,754,226	0.30
18.	TSRB First Phase LLC	Office Building	54,256,054	0.28
19.	Milazzo Residences LLC	Apartments	44,355,873	0.23
20.	WAM Via Del Campo LP	Industrial	37,365,631	0.19
			$1,860,473,151	9.61%

(1) 2010-11 Local Secured Assessed Valuation: $19,365,522,005.

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 July 2011 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.

TABLE 4

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

2010-11 Assessed Valuation:	$20,033,875,198
Less Incremental Valuation	(3,904,410,696)
Adjusted Assessed Valuation:	$16,129,464,502

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 7/1/11	
Metropolitan Water District	0.900%	$ 2,049,030	
Palomar Community College District	20.945	67,553,678	
San Diego Community College District	0.003	18,531	
Poway Unified School District School Facilities Improvement District No. 2002-1	98.515	173,385,730	
Poway Unified School District School Facilities Improvement District No. 2007-1	**100.**	**98,996,943**	(1)
City of San Diego	6.873	153,955	
Palomar Pomerado Healthcare District	30.706	147,853,995	
City of Poway Community Facilities District No. 88-1	100.	13,530,000	
Rancho Santa Fe Community Services District Community Facilities District No. 1	0.184	86,222	
1915 Act Bonds	Various	836,239	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$504,464,323	
OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	4.704%	$ 18,140,976	
San Diego County Pension Obligations	4.704	38,586,355	
San Diego County Superintendent of Schools General Fund Obligations	4.704	940,447	
Palomar Community College District Certificates of Participation	20.945	1,314,299	
Poway Unified School District Certificates of Participation	56.841	72,452,659	
City of Poway Certificates of Participation	99.683	46,437,326	
City of San Diego General Fund Obligations	6.873	34,788,033	
City of Santee General Fund Obligations	0.006	82	
TOTAL OVERLAPPING GENERAL FUND DEBT		$214,660,177	
COMBINED TOTAL DEBT		$717,124,500	(2)

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2010-11 Assessed Valuation:
Direct Debt ($98,996,943) 0.49%
Total Direct and Overlapping Tax and Assessment Debt............2.52%

Ratios to Adjusted Assessed Valuation:
Combined Total Debt...4.45%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $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 Maturity Value and Accreted Value as of a mandatory sinking fund redemption of the Series B Bonds is payable from the general fund of the School District. The Series B 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 B 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, five (5) high schools, one (1) continuation high school and one (1) adult school. The School District reported 34,135 students enrolled at CBEDS for Fiscal Year 2010-11.

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
Penny Ranftle	President	December 1, 2014
Linda Vanderveen	Vice-President	December 1, 2014
Andy Patapow	Clerk	December 1, 2012
Marc Davis	Member	December 1, 2014
Todd Gutschow	Member	December 1, 2012

The administrative staff of the School District includes John P. Collins, Ed. D., Superintendent, and Malliga Tholandi, Associate Superintendent, Business Support Services.

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 an Associate Superintendent of Learning Support Services and an Associate Superintendent of Personnel Support Services.

Enrollment

From Fiscal Year 2004-05 through Fiscal Year 2010-11 the School District's enrollment has been stable. The demographics of the School District reflect an increasing trend in elementary school population, stable trend in middle school population and slight decrease in high school population. Experience shows that the east side of the School District is nearly built out and west and south areas are experiencing 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 School District however has offsetting growth on the west side. See the table in "SCHOOL DISTRICT FINANCIAL INFORMATION – State Funding of Education" for information concerning enrollment for these years.

Labor Relations

As of December 3, 2010, the School District employed approximately 1,656 certificated employees and approximately 1,765 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	1,458	6/30/12
Service Employees International Union	434	6/30/13
Poway School Employees Association	1,238	6/30/12

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 2006-07 was $11,013,784, in Fiscal Year 2007-08 was $11,588,843, in Fiscal Year 2008-09 was $11,570,502, and in Fiscal Year 2009-10 was $10,272,133. The School District's contribution to STRS for Fiscal Year 2010-11 is estimated to be approximately $9,786,055. 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.

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 2006-07 was $5,598,960, in Fiscal Year 2007-08 was $6,158,527, in Fiscal Year 2008-09 was $6,244,809 and in Fiscal Year 2009-10 was $5,924,446. The School District's contribution to PERS for Fiscal Year 2010-11 is estimated to be approximately $5,656,683.

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, 2007, was $942,340, for the Fiscal Year ending June 30, 2008, was $1,134,471, for the Fiscal Year ending June 30, 2009, was $1,353,447 and for the Fiscal Year ending 2009-10, was $1,571,614. The School District estimates that its contributions for these benefits will be approximately $2,260,169 for Fiscal Year 2010-11. 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 “SCHOOL 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 exposure 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”). SCR 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). The relationship between the School District and SCR is such that SCR is not a component unit of the School District.

SCHOOL 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 Maturity Value and Accreted Value as of a mandatory sinking fund redemption of the Series B Bonds is payable from the general fund of the School District. The Series B 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 B 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, 2009, and prior fiscal years are on file with the School District and available for public inspection at the office of the Superintendent of the Poway Unified School District, 15250 Avenue of Science, San Diego, California 92128-3406, telephone number (858) 521-2800. The audited financial statements for the year ended June 30, 2010, are included in Appendix A hereto.

The following table shows information from the School District's audited financial statements for Fiscal Years 2006-07, 2007-08, 2008-09 and 2009-10.

TABLE 5

AUDITED FINANCIAL STATEMENTS
POWAY UNIFIED SCHOOL DISTRICT

BALANCE SHEET – GENERAL FUND

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Assets				
Cash in County Treasury	$12,610,196	$10,113,387	$6,966,975	$8,191,786
Cash on Hand and in Banks	354,728	384,707	392,361	646,865
Cash in Revolving Fund	107,500	107,303	107,500	107,813
Cash with Fiscal Agent/Trustee	10,070,363	–	–	–
Accounts Receivable	16,543,045	16,698,924	29,169,788(1)	26,672,210
Due from Other Funds	2,610,833	3,413,551	1,965,915	1,234,762
Stores Inventories	276,271	264,769	321,850	325,625
Prepaid Expenditures	249,561	243,285	67,003	1,494,545
Total Assets	$42,822,497	$31,225,926	$38,991,392	$38,673,606
Liabilities and Fund Balance				
Liabilities:				
Accounts Payable	$4,730,301	$4,516,652	$4,030,475	$3,238,459
Due to Grantor Governments				2,821
Due to Other Funds	1,956,060	6,026,326	2,185,011	3,760,640
Current Loans	10,000,000	–	–	–
Deferred Revenue	426,235	428,257	1,973,158	902,105
Total Liabilities	$17,112,596	$10,971,235	$8,188,644	$7,904,025
Fund Balance:				
Reserved Fund Balances:				
Reserved for Revolving Cash	$107,500	$107,304	$107,500	$107,813
Reserved for Stores Inventories	276,271	264,769	321,850	325,625
Reserved for Prepaid Items	249,561	243,285	67,003	1,494,545
Reserved for Legally Restricted Balance	–	–	5,778,426(2)	4,109,684
Designated Fund Balances:				
Designated for Economic Uncertainties	$5,300,000	$5,448,739	$5,298,862(3)	$4,988,013
Other Designated	–	130,000	–	4,672,584
Unreserved	19,776,569	14,060,594	19,229,107	15,071,317
Total Fund Balance	$25,709,901	$20,254,691	$30,802,748(4)	$30,769,581
Total Liabilities and Fund Balances	$42,822,497	$31,225,926	$38,991,392	$38,673,606

(1) Accounts Receivable amounts in Fiscal Year 2008-09 increased over previous fiscal years in large part because the State started holding back funds which the State would normally provide by year end.

(2) The $5,778,426 Reserve for Legally Restricted Balance in Fiscal Year 2008-09 includes American Recovery and Reinvestment moneys received in Fiscal Year 2008-09 which had not yet been spent, additional Economic Impact Aid (EIA) moneys and lottery moneys received which had not been spent.

(3) The State Education Code requires districts with in excess of 30,000 students to maintain a minimum reserve of 2% of total combined general fund expenditures and Other Transfers Out.

(4) Total Fund Balance includes Revenue Limit Sources which were not reduced in Fiscal Year 2008-09, as had been anticipated in the May 2009 revision of the State budget. This Revenue Limit reduction was carried out by the State in Fiscal Year 2009-10, accounting for the larger than usual deficit spending in the Fiscal Year 2009-10 School District Budget. The School District is able to handle the deficit in Fiscal Year 2009-10, using the ending fund balance from Fiscal Year 2008-09.

Source: School District audited financial statements.

TABLE 6

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

FOR THE FISCAL YEARS ENDED JUNE 30

	2007	2008	2009	2010
Revenues				
Revenue Limit Sources:				
State Apportionments	$81,832,919	$81,177,029	$73,794,391[2]	$58,020,005
Local Sources	97,394,869	106,205,478	110,828,550[2]	105,964,439
Federal Revenue	8,974,698	8,629,280	19,970,384	16,050,367
Other State Revenue	61,161,462	51,598,543	49,051,858	45,828,702
Other Local Revenue	14,361,111	16,131,063	16,098,645	16,024,226
Total Revenues	$263,725,059	$263,741,393	$269,743,828	$241,887,739
Expenditures				
Instruction	$165,417,398	$172,262,905	$170,679,644	$157,404,100
Instruction - Related Services	28,735,690	30,779,702	29,107,148	26,070,863
Pupil Services	20,430,609	22,049,908	21,348,081	19,307,724
Ancillary Services	3,515,448	3,774,769	4,003,497	3,981,474
Community Services	–	386,051	456,253	407,308
Enterprise	375,414	–	–	
General Administration	11,396,421	12,221,175	11,088,298	12,007,277
Plant Services	25,829,173	25,946,511	26,071,824	22,642,520
Other Outgo	682,229	1,192,764	1,326,144	1,063,196
Debt Service:				
Principal	560,071	459,387	–	–
Interest	141,289	4,859	–	–
Total Expenditures	$257,083,742	$269,078,031	$264,080,889	$242,884,462
Excess (Deficiency) of Revenue Over (Under) Expenditures	6,641,317	(5,336,638)	5,662,939[2]	(996,723)
Other Financing Sources (Uses)				
Operating Transfers In	$1,829,722	$3,310,354	$3,870,061	$2,717,524
Operating Transfers Out	(3,568,976)	(3,428,926)	(862,180)	(4,135,087)
Other Sources	2,175,010	–	1,877,237	$2,381,118
Total Other Financing Sources (Uses)	$ 435,756	($118,572)	$4,885,118	$963,555
Net Change in Fund Balance	7,077,073	(5,455,210)	10,548,057[2]	(33,168)
Fund Balance/Equity, July 1	18,632,828	25,709,901	20,254,691	$30,802,749
Fund Balance/Equity, June 30	$25,709,901	$20,254,691	$30,802,748	$30,769,581

(1) Community Services were accounted for as “Instructions” in Fiscal Years 2005-06 and 2006-07.

(2) Total Fund Balance includes Revenue Limit Sources which were not reduced as had been anticipated in the May 2009 revision of the State budget. This Revenue Limit reduction was carried out by the State in Fiscal Year 2009-10, accounting for the larger than usual deficit spending in the Fiscal Year 2009-10 School District Budget. The School District is able to handle the deficit in Fiscal Year 2009-10, using the ending fund balance from Fiscal Year 2008-09.

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 of schools (as described in AB 1200) within five days of adoption or by July 1, whichever occurs first. A school 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 school 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 school 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 or budgeted, as applicable) for the Fiscal Years ending June 30, 2009, through June 30, 2011, are set forth below:

TABLE 7

GENERAL FUND BUDGET
FISCAL YEARS ENDING JUNE 30, 2009, 2010, 2011 AND 2012

	2008-09 Original Adopted Budget	2008-09 Audited Actuals[(1)]	2009-10 Original Adopted Budget[(1)]	2009-10 Audited Actuals[(1)]	2010-11 Original Adopted Budget[(1)]	2010-11 Third Interim Report[(1)]	2011-12 Original Adopted Budget
REVENUES							
Revenue Limit Sources:	$188,101,145	$184,622,942	$174,796,663	$163,984,444	$164,783,860	$175,050,162	$176,664,476
Federal Revenue	7,739,005	19,970,384	11,939,598	16,050,367	10,337,445	19,631,915	8,663,803
Other State Revenue	50,354,664	49,051,857	45,854,018	45,828,702	44,620,672	48,094,310	45,451,058
Other Local Revenue	11,084,646	16,098,645	9,666,081	16,024,226	7,141,492	14,951,042	9,293,067
TOTAL REVENUES	$257,279,460	$269,743,828	$242,256,360	$241,887,739	$226,883,469	$257,727,429	$240,072,404
EXPENDITURES							
Certificated Salaries	$139,058,275	$138,924,715	$129,406,875	$124,847,960	$115,878,322	$117,034,528	$119,226,764
Classified Salaries	42,121,778	44,588,537	40,100,734	40,985,787	39,661,656	41,552,141	41,378,951
Employee Benefits	45,338,582	45,847,108	44,710,996	45,016,326	45,737,652	49,279,178	54,191,796
Books and Supplies	10,012,623	9,054,966	8,547,209	6,743,902	7,552,264	11,437,438	7,255,762
Services, Other Operating Expenses	22,163,779	25,020,978	27,965,801	25,022,186	29,419,667	29,485,732	30,073,991
Capital Outlay	168,328	225,362	179,920	134,224	145,089	1,078,529	448,249
Other Outgo (excluding Direct Support/ Indirect Costs)	394,480	664,363	10,578	134,077	494,525	490,525	1,750,235
Direct Support/Indirect Costs	(241,932)	(245,140)			(393,193)	(392,168)	(365,109)
TOTAL EXPENDITURES	$259,015,913	$264,080,889	$250,922,113	$242,884,462	$238,495,982	$249,965,903	$253,960,639
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	($1,736,453)	$5,662,939	($8,665,753)	($996,723)	($11,612,513)	$7,761,526	($13,888,235)
Inter-fund Transfers In	1,651,290	3,870,061	360,000	2,717,524	360,000	1,360,000	360,000
Inter-fund Transfers Out	2,332,209	862,180	(1,281,694)	4,135,087	605,295	2,802,185	1,987,806
Other Sources (Uses)		1,497,942		2,381,118			
Contributions							
Flex		379,295					
TOTAL OTHER FINANCIAL SOURCES (USES)	($680,919)	$4,885,118	($921,694)	$963,555	($245,295)	($1,442,185)	($1,627,806)
NET INCREASE (DECREASE) IN FUND BALANCE	($2,417,372)	$10,548,057	($9,587,447)	($33,168)	($11,857,808)	$6,319,341	($15,516,041)
BEGINNING BALANCE AS OF JULY 1	$19,568,450	$20,254,691	$30,802,749	$30,802,749	$23,411,699	$30,769,581	$37,088,922
ENDING BALANCE	$17,151,078	$30,802,748	$21,215,302	$30,769,581	$11,553,891	$37,088,922	$21,572,881

(1) The School District's original Fiscal Year 2009-10 budget adopted in June 2009 did not reflect the contents of the final 2009-10 State budget adopted July 28, 2009. Certain adjustments were made based on actual State funding. This includes that the Revenue Limit Sources were not reduced in Fiscal Year 2008-09 as had been anticipated in the School District's original 2009-10 budget based on the May 2009 revision of the State budget. This Revenue Limit reduction was carried out by the State in Fiscal Year 2009-10, accounting for the larger than usual deficit spending in the Fiscal Year 2009-10 School District Budget. The School District was able to handle the deficit in Fiscal Year 2009-10, using the ending fund balance from Fiscal Year 2008-09.

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Source: School District. Adopted Budgets for Fiscal Years 2008-09 through 2011-12 and School District's Third Interim Report for Fiscal Year 2010-11.

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. Enrollment for Fiscal Year 2009-10 was 33,797 at CBEDS and the School District revenue limit per A.D.A. was $5,202. In 2010-11, enrollment is 34,135 and the School District revenue limit per A.D.A. is $5,207.

TABLE 8

ENROLLMENT, AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
FISCAL YEARS 2005-06 TO 2010-11
POWAY UNIFIED SCHOOL DISTRICT

Fiscal Year	CBEDS Enrollment	Average Daily Attendance	Annual Change in A.D.A.	District Revenue Limit per A.D.A.
2005-06	32,645	31,590	-0.65%	$5,125
2006-07	32,873	31,817	0.72%	5,527
2007-08	33,283	32,075	0.81%	5,780
2008-09	33,305	32,366	0.91%	6,110
2009-10	33,797	32,646	0.87%	5,202
2010-11	34,135	33,046	1.23%	5,207

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

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 6.5% of general fund revenues in 2009-10 and are budgeted to equal approximately 7.6% of such revenues in 2010-11.

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 18.56% of general fund revenues in 2009-10 and are budgeted to equal approximately 18.63% of such revenues in 2010-11.

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 a nominal amount (less than 2%) of general fund revenues in 2009-10 and are budgeted to equal approximately the same amount of such revenues in 2010-11.

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 6.5% of general fund revenues in 2009-10 and are budgeted to equal approximately 5.4% of general fund revenues in 2010-11.

District Obligations

General Obligation Bonds and Bond Anticipation Notes. The Improvement District has no outstanding general obligation bonds or bond anticipation notes other than the Series A Bonds and the 2010 Notes and is authorizing the issuance of the Series B Bonds to pay the 2010 Notes and a portion of the Lease Revenue Bonds. The annual debt service for the Series A Bonds and Series B Bonds is shown in "Debt Service Schedule" herein.

In addition, School Facilities Improvement District No. 2002-1 of the Poway Unified School District has issued three series of bonds in the aggregate amount of $197,999,319.90 and

$177,834,319.90 of such authorized bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District currently remain outstanding.

Other Post Employment Benefits. The School District offers post retirement benefits for employees up to age 65. 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, 2010, are set forth below. The principal component under such agreements aggregate $1,514,883. In its discretion, the School District may use a portion of the proceeds of the Series B 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)
2011	$1,374,321
2012	884,709
Total Minimum Lease Payments	$2,259,030
Less amount representing interest	(136,524)
Present Value of Net Minimum Lease Payments	$2,122,506

Source: School District.

Tax and Revenue Anticipation Notes. The School District participated in the California Education Notes Program 2011 Pooled Tax and Revenue Anticipation Notes in the amount of $21,591,000 with a coupon rate of 2% priced to yield 0.32%. The notes mature on April 30, 2012, 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 (defined above as the "Lease Revenue Bonds") 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 and a portion of the Lease Revenue Bonds will be redeemed with proceeds of the Series B Bonds as described herein.

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 School 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 School District, and are not debts of the School District.

CFD	Formation Date	Authorized Debt	Amount Issued[1]
CFD No. 1	May 26, 1987	$138,251,618[2]	$85,815,835.10[2]
CFD No. 2	December 15, 1997	80,000,000	14,233,847
CFD No. 2 Improvement Area 1	December 14, 2009	5,000,000	-0-
CFD No. 3	September 22, 1997	13,000,000	5,485,000
CFD No. 4	December 15, 1997	32,000,000	11,989,000
CFD No. 5	August 4, 1997	5,000,000	1,670,000
CFD No. 6	March 24, 1998	130,000,000	112,990,000
CFD No. 6 Improvement Area A	October 21, 2002	18,000,000	18,000,000
CFD No. 6 Improvement Area B	October 21, 2002	30,000,000	30,000,000
CFD No. 6 Improvement Area C	October 21, 2002	14,000,000	-0-
CFD No. 7	August 24, 1998	15,000,000	1,545,000
CFD No. 8 Improvement Area A	December 17, 1998	80,000,000	-0-
CFD No. 8 Improvement Area B	December 17, 1998	20,000,000	7,329,000
CFD No. 9	November 16, 1998	15,000,000	1,711,000
CFD No. 10 Zone 1 and 2	August 27, 2001	45,000,000	38,230,000
CFD No. 10 Improvement Area A	August 27, 2001	13,000,000	9,700,000[3]
CFD No. 10 Improvement Area B	August 27, 2001	9,000,000	6,345,000[3]
CFD No. 10 Improvement Area C	August 27, 2001	3,000,000	3,000,000[3]
CFD No. 10 Improvement Area D	August 27, 2001	7,000,000	5,125,000[3]
CFD No. 10 Improvement Area E	August 27, 2001	7,500,000	5,750,000[3]
CFD No. 10 Improvement Area F	August 27, 2001	3,500,000	-0-
CFD No. 11 Zone 1, 2, 3 and 4	January 20, 2004	60,000,000	17,995,000
CFD No. 11 Improvement Area A	January 20, 2004	13,500,000	11,000,000
CFD No. 11 Improvement Area B	January 20, 2004	10,900,000	9,035,000
CFD No. 11 Improvement Area C	January 20, 2004	17,400,000	13,475,000
CFD No. 12	June 24, 2002	18,000,000	7,689,087
CFD No. 13	March 12, 2007	20,000,000	-0-
CFD No. 14	January 17, 2006	75,000,000	51,515,000
CFD No. 14 Improvement Area A	January 17, 2006	75,000,000	51,495,000

(1) Any 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, to refund the 1998 Bonds and to refund a portion of the 2003 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) Amount issued indicates bonds issued to finance facilities. Bonds have been refunded and the actual amount of refunding bonds issued differs from the values shown.

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 2010-11 of $28,376,218,730 (unequalized). Shown in the following table are the assessed valuations for the School District.

TABLE 9

ASSESSED VALUATION
POWAY UNIFIED SCHOOL DISTRICT
FISCAL YEARS 2006-07 TO 2010-11

Assessed Valuations

	Local Secured	Utility	Unsecured	Total Before Rdv. Increment
2006-07	$27,779,533,552	$1,342,918	$957,228,118	$28,738,104,588
2007-08	30,601,157,671	1,342,918	861,911,099	31,464,411,688
2008-09	31,890,783,900	1,342,918	899,415,062	32,791,541,880
2009-10	31,553,941,486	1,342,918	981,696,512	32,536,980,916
2010-11	31,313,412,215	1,342,918	965,874,293	32,280,629,426

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, wildfire, 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 2010-11:

TABLE 10

LARGEST LOCAL SECURED PROPERTY OWNERS
POWAY UNIFIED SCHOOL DISTRICT

Largest 2010-11 Local Secured Taxpayers

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% of Total(1)
1	Kilroy Realty LP	Office Building	$ 588,699,067	1.88%
2	Sorrento West Properties Inc.	Industrial	217,520,337	0.69
3	MS Rialto the Lakes CA LLC	Residential Development	152,109,076	0.49
4	SMBC Leasing and Finance Inc.	Office Building	150,000,000	0.48
5	Hewlett-Packard Co.	Industrial	148,141,773	0.47
6	Slough Poway I LLC	Office Building	139,236,693	0.44
7	BRE Properties Inc.	Apartments	136,973,629	0.44
8	Pacific Carmel Mountain Holdings LP	Office Building	124,934,945	0.40
9	Cymer Inc.	Office Building	124,506,752	0.40
10	The Reserve at 4S Ranch LLC	Apartments	111,086,076	0.35
11	Point Office Partners LLC	Office Building	93,414,080	0.30
12	Sony Electronics Inc.	Industrial	90,240,338	0.29
13	Bernardo Technology Partners I LLC	Office Building	79,943,971	0.26
14	Bernardo Summit LLC	Industrial	78,169,103	0.25
15	BAE Systems Mission Solutions Inc.	Industrial	74,797,527	0.24
16	Apple Seven Hospitality Ownership Inc.	Hotel	73,785,710	0.24
17	PDP Pomerado LLC	Office Building	70,893,303	0.23
18	Alliance I LLC	Apartments	70,300,000	0.22
19	Brookfield 8 & 10 LLC	Residential Development	69,761,402	0.22
20	4S Regency Partners LLC	Shopping Center	68,611,123	0.22
			$2,663,124,905	8.50%

(1)2010-11 Local Secured Assessed Valuation: $31,313,412,215.

Source: California Municipal Statistics, Inc.

TAX MATTERS

Opinion of Bond Counsel

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

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 Code that must be satisfied subsequent to the issuance of the Series B 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 B Bonds.

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

Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds.

See APPENDIX C — "PROPOSED FORM OF OPINION OF BOND COUNSEL" for the proposed form of opinion of Bond Counsel.

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

Original Issue Discount; Premium Bonds

The initial public offering price of the Series B Bonds is less than the amount payable with respect to such Series B Bonds at maturity. An amount not less than the difference between the initial public offering price of a Series B Bond and the amount payable at the maturity of such Series B Bond constitutes original issue discount. Original issue discount on a tax-exempt obligation, such as the Series B Bonds, accrues on a compounded basis. The amount of original issue discount that accrues to the owner of a Series B Bond issued with original issue discount will be excludable from such owner's gross income and will increase the owner's adjusted basis in such Series B Bond potentially affecting the amount of gain or loss realized upon the owner's sale or other disposition of such Series B Bond. The amount of original issue discount that accrues in each year is not included as a tax preference for purposes of calculating alternative minimum taxable income and may therefore affect a taxpayer's alternative minimum tax liability. Consequently, taxpayers owning the Series B Bonds issued with original issue discount should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the taxpayer has not received cash attributable to such original issue discount in such year.

Purchasers should consult their personal tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount properly accruable with respect to the Series B Bonds, other federal income tax consequences of owning tax-exempt obligations with original issue discount and any state and local consequences of owning the Series B Bonds.

The Series B 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 B 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 B 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 B Bonds. Prospective purchasers of the Series B Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion.

Internal Revenue Service Audits of Tax-Exempt Securities Issues

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

Information Reporting and Backup Withholding

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

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

OTHER LEGAL MATTERS

Continuing Disclosure

The School District has covenanted for the benefit of registered owners and Beneficial Owners of the Series B 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 2010-11 Fiscal Year (which will be due not later than February 1, 2012), and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the School District with the Municipal Securities Information Repository ("MSRB") through the Electronic Municipal Market Access System ("EMMA") in an electronic format and accompanied by identifying information as prescribed by the MSRB. Any notice of a significant event will be filed by the School District with the MSRB through the EMMA System. The specific nature of the information to be made available and to be contained in the notices of significant 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 significant events.

Legality for Investment in California

Under provisions of the California Financial Code, the Series B Bonds are legal investments for commercial banks in California to the extent that the Series B 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 B Bonds, and a certificate or certificates to that effect will be furnished to purchasers at the time of the original delivery of the Series B 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 B Bonds.

RATINGS

Moody's Investors Service and Standard & Poor's have assigned ratings of "Aa2" and "AA-," respectively, to the Series B Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings and any outlook associated with 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, 55 Water Street, 45th Floor, New York, New York 10041. Generally, a rating agency bases its 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 B Bonds.

UNDERWRITING

The Series B Bonds were purchased by Stone & Youngberg LLC (the "Underwriter"). The Underwriter has agreed to purchase the Series B Bonds at a price of $105,000,149.70, which is equal to the principal amount of the Series B Bonds plus original premium in the amount of $21,360,189.45, less Underwriter's discount of $813,751.16, less certain costs of issuance of $569,114.44, and less payments related to the Bond Advancement Program and the 2010 Notes aggregating $19,977,323.85. The Bond Purchase Agreement relating to the Series B Bonds provides that the Underwriter will purchase all of the Series B 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 B 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 B Bonds.

Quotations from and summaries and explanations of the Series B Bonds, the Resolutions providing for issuance of the Series B 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
John P. Collins, Ed.D., 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, 2010

WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
218 W Douglas Ave.
El Cajon, CA 92020

Introductory Section

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

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WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
218 W Douglas Ave.
El Cajon, CA 92020

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, 2010, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Poway Unified School District as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Wilkinson Hadley King & Co. LLP

El Cajon, California
October 29, 2010

Poway Unified School District
Management's Discussion and Analysis
Fiscal Year 2009-10
(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, Del Sur 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 33,797 students in 37 schools. The 37th school which is Del Norte High School opened this school year of 2009-10.

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, 2010. 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 2008-09

- In 2009-10, the district's Net Assets is $213.3 million compared to $253.2 million in 2008-09.
- In 2009-10, overall revenues were $320.3 million and expenses were $360.2 million. The district's expenses exceeded revenue by $39.9 million due to funding cuts and the $16.3 million accreted interest on the capital appreciation bonds. In 2008-09 the district's overall revenues were $402.9 million and expenses were $355.2 million. Revenue exceeded expenses by $47.7 million.
- The District enrollment in October 2009 was 33,797. This is an increase of 492 students from October 2008 when the enrollment was at 33,305.

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, building fund, county school facilities fund, and the capital projects fund, 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 47 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 of this report.

Other information

The combining statements referred to earlier in connection with non-major governmental funds are presented on pages 49-50 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 $213.3 million at the close of 2009-10.

	Governmental Activities 2008-09	Business Activities 2008-09	Total District 2008-09	Governmental Activities 2009-10	Business Activities 2009-10	Total District 2009-10
Current and Other Assets	$267.7	$0.0	$267.7	$236.0	$0.2	$236.2
Capital Assets	$888.4	$3.3	$891.7	$929.4	$3.1	$932.5
Total Assets	**$1,156.1**	**$3.3**	**$1,159.4**	**$1,165.4**	**$3.3**	**$1,168.7**
Long-Term Debt Outstanding	$874.5	$0.0	$874.5	$928.3	$0.0	$928.3
Other Liabilities	$31.2	$0.4	$31.6	$26.7	$0.4	$27.1
Total Liabilities	**$905.7**	**$0.4**	**$906.1**	**$955.0**	**$0.4**	**$955.4**
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	$102.3	$0.0	$102.3	$53.0	$0.0	$53.0
Restricted	$51.5	$0.0	$51.5	$74.6	$0.0	$74.6
Unrestricted	$96.6	$2.9	$99.5	$82.8	$2.9	$85.7
Total Net Assets	**$250.4**	**$2.9**	**$253.3**	**$210.4**	**$2.9**	**$213.3**

Notes:

- 24.85 percent of the District's net assets are invested in Capital Assets. 34.97 percent represents resources that are subject to external restrictions on how they may be used and 40.18 percent are unrestricted.

At the end of the 2009-10, 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, 2010 are as follows:

POWAY UNIFIED SCHOOL DISTRICT

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

	2008-09	% of Total	2009-10	% of Total
Revenues				
Program Revenues				
Charges for services	$ 12,243,358	3.04%	$ 11,669,727	3.64%
Operating grants and contributions	57,304,930	14.22%	40,924,972	12.78%
Capital grants and contributions	57,523,991	14.28%	91,059	0.03%
General Revenues				
Property taxes	155,714,934	38.65%	155,709,465	48.61%
Federal and state aid not restricted to specific purposes	92,416,506	22.94%	83,112,859	25.95%
Interest and investment earnings	2,120,728	0.53%	1,019,987	0.32%
Interagency revenues	621,798	0.15%	545,652	0.17%
Miscellaneous	24,926,202	6.19%	27,223,539	8.50%
Special and extraordinary items	-	0.00%	-	0.00%
Total Revenues	$ 402,872,447	100.00%	$ 320,297,260	100.00%
Expenditures by Function				
Governmental Activities				
Instruction	$ 217,127,636	61.13%	$ 214,871,723	59.65%
Pupil services	30,294,678	8.53%	28,742,669	7.98%
General administration	12,222,668	3.44%	13,619,886	3.78%
Plant services	42,229,154	11.89%	34,010,795	9.44%
Ancillary services	4,041,809	1.14%	4,018,045	1.12%
Community services	465,594	0.13%	417,549	0.12%
Enterprise activities	671,836	0.19%	468,539	0.13%
Interest on long-term debt	32,750,822	9.22%	49,060,298	13.62%
Other outgo	2,091,158	0.59%	1,900,160	0.53%
Business-type Activities				
Enterprise activities	13,293,304	3.74%	13,108,739	3.64%
Total Expenditures	$ 355,188,659	100.00%	$ 360,218,403	100.00%
Increase (Decrease) in Net Assets	$ 47,683,788		$ (39,921,143)	
Net Assets - Beginning	$ 205,537,334		$ 253,221,122	
Net Assets - Ending	$ 253,221,122		$ 213,299,979	

- The district's total revenue this year decreased from $402.9 million in FY 2008-09 to $320.3 million in FY 2009-10.
- State aid COLA (Cost of Living Adjustment) in 2009-10 is 4.25 percent which is 1.413 percent less than 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 revenue limit per ADA during the year ended June 30, 2010 is $6,371.97. This is before the deficit factor of 18.355% and the one-time reduction of $252.83 per ADA.
- Expenses related to educating and caring for students (see Figure A-2) is 67.633 percent of the district's total expenditures.

8 YEAR REVENUE LIMIT TABLE

	Poway	% Increase	State Average	Difference
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)
2008-09	$5,631	1.85%	$5,668	($37)
2009-10	$5,202	-10.02%	$5,235	($33)

Figure A-1

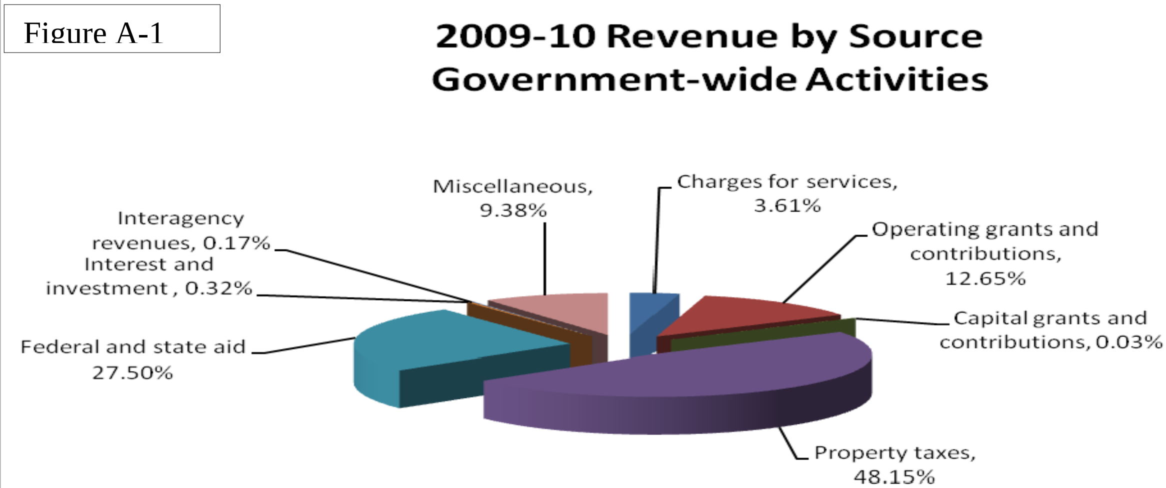
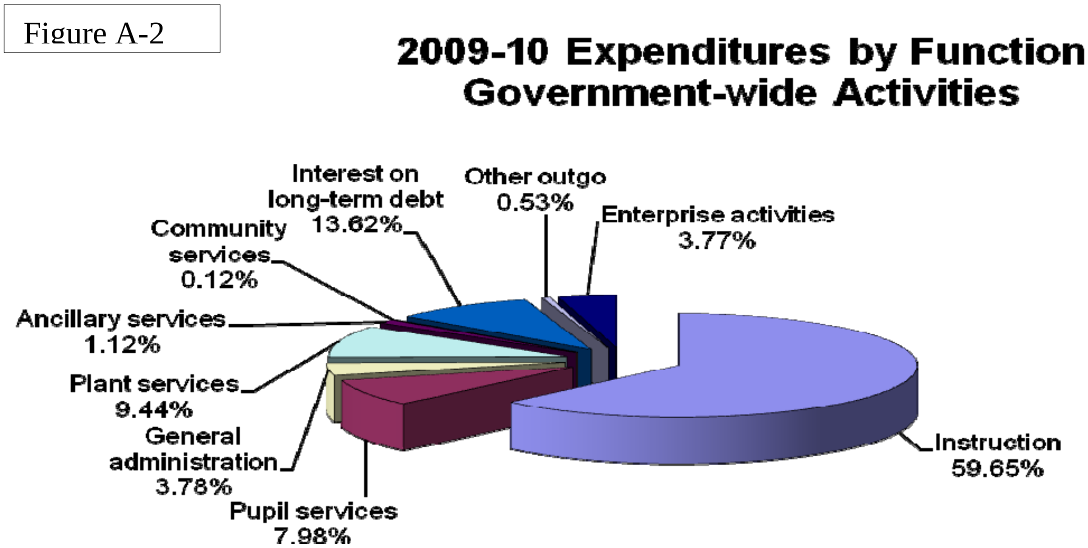


Figure A-2



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 $213.5 million, $36.9 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 $11.2 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 2010, $4.99 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 $109,513 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, 2010 was $635,134.
>
> *Restricted reserve for prepaid expense* The District Prepaid Expense as of June 30, 2010 was $1,494,545.
>
> *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 $ 4.1 million in restricted balances as of June 30, 2010.

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 $9.0 million or 3.6 % in total general fund expenditures budget.

- During the year, final budgeted revenues exceeded original budgetary estimates by $4.4 million or 1.8 % to account for increases in federal and state aid and local donations.
- 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 2008-09 to 2009-10.

POWAY UNIFIED SCHOOL DISTRICT

GENERAL FUND - MAJOR FUND

Expenditures by Function	*% of Total*	*2009-10*	*Change*	*%*	*2008-09*
General Education Grades K-12	48.32%	$119,371,507	($12,557,013)	-9.5%	$131,928,519
Special Education	15.40%	38,032,593	(718,532)	-1.9%	38,751,125
Instruction Related Services	4.68%	11,560,534	(1,796,394)	-13.4%	13,356,929
School Administration	5.87%	14,510,329	(1,239,891)	-7.9%	15,750,220
Pupil Services	4.31%	10,649,671	(1,635,933)	-13.3%	12,285,604
Transportation	3.50%	8,658,053	(404,424)	-4.5%	9,062,477
Ancillary, Co-curricular & Athletics	1.61%	3,981,474	(22,023)	-0.6%	4,003,497
Community Services	0.16%	407,308	(48,945)	-10.7%	456,253
General Administration	3.09%	7,626,618	(1,033,495)	-11.9%	8,660,114
Central Data Processing	1.77%	4,380,659	1,952,474	80.4%	2,428,185
Maintenance & Operations	9.01%	22,264,471	(3,284,433)	-12.9%	25,548,904
Facility Acquisition & Construction	0.01%	14,954	(83,172)	-84.8%	98,127
Facility Rents and Leases	0.15%	363,095	(61,698)	-14.5%	424,793
Other Outgo	2.10%	5,198,840	3,010,516	137.6%	2,188,323
Total	***100.00%***	***$247,020,107***	***($17,922,962)***		***$264,943,069***
Final October CBEDS Enrollment		33,797	492		33,305
Expenditures per Student =		$7,308.94	($646.12)	-8.1%	$7,955.05

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 down 8.1 % from $7,955.05 to $7,308.94.

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 as of June 30, 2010 and June 30, 2009 are outlined below:

POWAY UNIFIED SCHOOL DISTRICT
CAPITAL ASSETS NET OF DEPRECIATION
Governmental Activities

	June 30, 2010	*June 30, 2009*	*Total Change*
Land	$75,636,954	$70,923,074	$4,713,880
Improvement of Sites	22,995,534	20,706,497	2,289,037
Buildings	782,093,777	597,450,366	184,643,411
Equipment	9,672,340	9,196,772	475,568
Work in Progress	39,034,954	190,089,526	(151,054,572)
Total Capital Assets	***$929,433,558***	***$888,366,234***	***$41,067,324***

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 2010. 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, 2010, the district has two General Obligation Bonds the $75 million General Obligation Bonds, Series A and the $119 million General Obligation Bonds, Series B.

General Obligation Bond Anticipation Notes was issued for $25 million in 2009-10.

School Facilities Improvement District issued two bonds in FY 2008-09, Prop U Series C for 3.7 million and Prop C Series A for 74 million.

Two Lease Revenue Bonds were issued in 2007-08, 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).

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 bonds under the Community Facilities Districts (CFD) as of June 30, 2010.

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. During this year, CFD # 6 (4s Ranch) issued Special Tax Bonds, Series 2007 for $37.9 million.

2009 Revenue Bonds was issued by CFD #11 – Zone 2 & 3 for $9 million in FY 2009-10.

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 2007	Chg	Oct 2008	Chg	Oct 2009
K	2,493	91	2,584	34	2,618
1	2,263	136	2,399	76	2,475
2	2,345	(18)	2,327	121	2,448
3	2,506	(101)	2,405	(20)	2,385
4	2,517	40	2,557	(85)	2,472
5	2,439	90	2,529	78	2,607
6	2,534	(41)	2,493	108	2,601
7	2,603	(17)	2,586	(55)	2,531
8	2,595	14	2,609	35	2,644
9	2,710	(65)	2,645	53	2,698
10	2,759	(39)	2,720	(21)	2,699
11	2,647	87	2,734	3	2,737
12	2,871	(154)	2,717	165	2,882
TOTAL	**33,282**	**23**	**33,305**	**492**	**33,797**

	2007-08	Chg	2008-09	Chg	2009-10
Elementary K-5	14,563	238	14,801	204	15,005
Middle 6-8	7,732	(44)	7,688	88	7,776
High School 9-12	10,987	(171)	10,816	200	11,016
TOTAL	**33,282**	**23**	**33,305**	**492**	**33,797**

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 Associate Superintendent, Business Support Services, Poway Unified School District, 15250 Avenue of Science, San Diego, CA 92128.

Basic Financial Statements

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

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash in County Treasury	$ 56,352,592	$ 259,220	$ 56,611,812
Cash on Hand and in Banks	1,900,145	230,548	2,130,693
Cash in Revolving Fund	109,513	-	109,513
Cash with a Fiscal Agent/Trustee	125,260,758	-	125,260,758
Accounts Receivable	30,197,714	253,798	30,451,512
Internal Balances	528,172	(528,172)	-
Stores Inventories	635,134	-	635,134
Prepaid Expenses	21,023,408	-	21,023,408
Capital Assets:			
Land	75,636,954		75,636,954
Improvements	39,700,536		39,700,536
Buildings	877,535,939	4,767,384	882,303,323
Equipment	32,594,140	8,170	32,602,310
Work in Progress	39,034,954	-	39,034,954
Less Accumulated Depreciation	(135,068,965)	(1,647,351)	(136,716,316)
Total Assets	1,165,440,994	3,343,597	1,168,784,591
LIABILITIES:			
Accounts Payable	25,949,286	347,954	26,297,240
Deferred Revenues	778,514	69,157	847,671
Long-Term Liabilities			
Due Within One Year	18,518,086	-	18,518,086
Due in More Than One Year	909,821,616	-	909,821,616
Total Liabilities	955,067,502	417,111	955,484,613
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	53,022,879	-	53,022,879
Restricted For:			
Capital Projects	26,508,911	-	26,508,911
Debt Service	41,336,630	-	41,336,630
Educational Programs	6,779,379	-	6,779,379
Unrestricted	82,725,693	2,926,486	85,652,179
Total Net Assets	$ 210,373,492	$ 2,926,486	$ 213,299,978

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Government Activities:				
Instruction	$ 184,163,534	$ 1,899	$ 30,621,990	$ 91,059
Instruction-Related Services				
Instructional Supervision and Administration	8,778,295	85,007	2,821,696	-
Instructional Library, Media and Technology	5,391,017	7	15,196	-
School Site Administration	16,538,877	1	411,619	-
Pupil Services				
Home-to-School Transportation	9,212,027	1,305,969	1,849,891	-
Food Services	8,675,416	5,535,936	2,153,063	-
All Other Pupil Services	10,855,226	4,321	826,664	-
General Administration				
Centralized Data Processing	4,926,435	-	-	-
All Other General Administration	8,693,451	255,158	903,623	-
Plant Services	34,010,795	162,133	41,257	-
Ancillary Services	4,018,045	74,869	220,111	-
Community Services	417,549	-	80,709	-
Enterprise Activities	468,539	-	-	-
Interest on Long-Term Debt	49,060,298	-	-	-
Other Outgo	1,900,160	4,244,427	979,153	-
Total Governmental Activities	347,109,664	11,669,727	40,924,972	91,059
Business-type Activities:				
Enterprising Activities	13,108,739	-	-	-
Total Primary Government	$ 360,218,403	$ 11,669,727	$ 40,924,972	$ 91,059

General Revenues:
Taxes and Subventions:
Taxes Levied for General Purposes
Taxes Levied for Debt Service
Taxes Levied for Other Specific Purposes
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
$ (153,448,586)		$ (153,448,586)
(5,871,592)		(5,871,592)
(5,375,814)		(5,375,814)
(16,127,257)		(16,127,257)
(6,056,167)		(6,056,167)
(986,417)		(986,417)
(10,024,241)		(10,024,241)
(4,926,435)		(4,926,435)
(7,534,670)		(7,534,670)
(33,807,405)		(33,807,405)
(3,723,065)		(3,723,065)
(336,840)		(336,840)
(468,539)		(468,539)
(49,060,298)		(49,060,298)
3,323,420		3,323,420
(294,423,906)		(294,423,906)
	$ (13,108,739)	(13,108,739)
(294,423,906)	(13,108,739)	(307,532,645)
105,061,900	-	105,061,900
11,467,480	-	11,467,480
39,180,084	-	39,180,084
83,112,859	-	83,112,859
1,013,286	6,701	1,019,987
545,652	-	545,652
14,042,594	13,180,945	27,223,539
254,423,855	13,187,646	267,611,501
(40,000,051)	78,907	(39,921,144)
250,373,543	2,847,579	253,221,122
$ 210,373,492	$ 2,926,486	$ 213,299,978

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

	General Fund	Building Fund
ASSETS:		
Cash in County Treasury	$ 8,191,786	$ 23,881,903
Cash on Hand and in Banks	646,865	-
Cash in Revolving Fund	107,813	-
Cash with a Fiscal Agent/Trustee	-	9,392,378
Accounts Receivable	26,672,210	51,567
Due from Other Funds	1,234,762	-
Stores Inventories	325,625	-
Prepaid Expenditures	1,494,545	-
Total Assets	$ 38,673,606	$ 33,325,848
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 3,238,459	$ 6,270,352
Due to Grantor Governments	2,821	-
Due to Other Funds	3,760,640	194,273
Deferred Revenue	902,105	-
Total Liabilities	7,904,025	6,464,625
Fund Balance:		
Reserved Fund Balances:		
Reserve for Revolving Cash	107,813	-
Reserve for Stores Inventories	325,625	-
Reserve for Prepaid Items	1,494,545	-
Reserve for Legally Restricted Balance	4,109,684	-
Designated Fund Balances:		
Designated for Economic Uncertainties	4,988,013	-
Other Designated	4,672,584	-
Unreserved	15,071,317	26,861,223
Unreserved, reported in nonmajor:		
Special Revenue Funds	-	-
Debt Service Funds	-	-
Capital Projects Funds	-	-
Total Fund Balance	30,769,581	26,861,223
Total Liabilities and Fund Balances	$ 38,673,606	$ 33,325,848

The accompanying notes are an integral part of this statement.

Capital Projects Fund for Blended Component Units	Other Governmental Funds	Total Governmental Funds
$ -	$ 19,806,194	$ 51,879,883
-	982,060	1,628,925
-	1,700	109,513
115,710,713	-	125,103,091
-	3,395,215	30,118,992
-	1,140,141	2,374,903
-	309,509	635,134
-	-	1,494,545
$ 115,710,713	$ 25,634,819	$ 213,344,986
$ 3,100,000	$ 1,489,499	$ 14,098,310
-	-	2,821
-	511,656	4,466,569
-	73,350	975,455
3,100,000	2,074,505	19,543,155
-	1,700	109,513
-	309,509	635,134
-	-	1,494,545
-	-	4,109,684
-	-	4,988,013
-	-	4,672,584
112,610,713	-	154,543,253
-	4,218,248	4,218,248
-	8,141,321	8,141,321
-	10,889,536	10,889,536
112,610,713	23,560,314	193,801,831
$ 115,710,713	$ 25,634,819	$ 213,344,986

EXHIBIT A-4

POWAY UNIFIED SCHOOL DISTRICT

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

Total fund balances - governmental funds balance sheet			$ 193,801,831
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		1,064,502,523	
Accumulated depreciation		(135,068,965)	
	Net		929,433,558
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:			19,528,863
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:			(11,201,762)
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:			232,817
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		174,905,745	
Net OPEB obligation		9,996,948	
Compensated absences payable		3,972,565	
Capital leases payable		1,514,881	
Lease revenue bonds payable		137,494,725	
Other general long-term debt		600,454,838	
	Total		(928,339,702)
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:			6,917,887
Net assets of governmental activities - statement of net assets			$ 210,373,492

The accompanying notes are an integral part of this statement.

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POWAY UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund
Revenues:		
Revenue Limit Sources:		
State Apportionments	$ 58,020,005	$ -
Local Sources	105,964,439	-
Federal Revenue	16,050,367	-
Other State Revenue	45,828,702	-
Other Local Revenue	16,024,226	1,169,825
Total Revenues	241,887,739	1,169,825
Expenditures:		
Instruction	157,404,100	-
Instruction - Related Services	26,070,863	-
Pupil Services	19,307,724	-
Ancillary Services	3,981,474	-
Community Services	407,308	-
General Administration	12,007,277	-
Plant Services	22,642,520	34,978,845
Other Outgo	1,063,196	767,810
Debt Service:		
Principal	-	-
Interest	-	847,813
Total Expenditures	242,884,462	36,594,468
Excess (Deficiency) of Revenues Over (Under) Expenditures	(996,723)	(35,424,643)
Other Financing Sources (Uses):		
Transfers In	2,717,524	7,422,788
Transfers Out	(4,135,087)	(5,000,000)
Proceeds From Sale of Bonds	-	24,998,006
Other Sources	2,381,118	565,856
Other Uses	-	(182,006)
Total Other Financing Sources (Uses)	963,555	27,804,644
Net Change in Fund Balance	(33,168)	(7,619,999)
Fund Balance, July 1	30,802,749	34,481,222
Fund Balance, June 30	$ 30,769,581	$ 26,861,223

The accompanying notes are an integral part of this statement.

Capital Projects Fund for Blended Component Units	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 58,020,005
-	-	105,964,439
-	2,303,771	18,354,138
-	357,983	46,186,685
39,549,179	21,833,346	78,576,576
39,549,179	24,495,100	307,101,843
-	1,010,654	158,414,754
-	432,577	26,503,440
-	7,690,274	26,997,998
-	-	3,981,474
-	-	407,308
-	431,470	12,438,747
24,100,853	13,109,218	94,831,436
147,883	-	1,978,889
-	9,681,381	9,681,381
-	32,287,349	33,135,162
24,248,736	64,642,923	368,370,589
15,300,443	(40,147,823)	(61,268,746)
36,781,739	42,326,451	89,248,502
(64,162,455)	(14,721,907)	(88,019,449)
8,995,000	-	33,993,006
-	(2,346,600)	600,374
(268,364)	-	(450,370)
(18,654,080)	25,257,944	35,372,063
(3,353,637)	(14,889,879)	(25,896,683)
115,964,350	38,450,193	219,698,514
$ 112,610,713	$ 23,560,314	$ 193,801,831

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, 2010

Net change in fund balances - total governmental funds		$ (25,896,683)
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	61,806,973	
Depreciation expense	(20,786,798)	
Net		41,020,175
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:		9,681,381
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:		(34,143,010)
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	915,694	
Issue costs amortized for the period	(836,964)	
Net		78,730
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 increases to capital assets, at their fair market value on the date of donation. The fair market value of capital assets donated was:		51,022
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:		(43,253)
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:		(117,177)
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:		713

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:	(3,223,033)
Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations was:	(10,066,073)
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:	(904)
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:	(15,807,960)
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:	(1,533,979)
Change in net assets of governmental activities - statement of activities	$ (40,000,051)

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
ASSETS:		
Current Assets:		
Cash in County Treasury	$ 259,220	$ 4,472,708
Cash on Hand and in Banks	230,548	271,220
Cash with a Fiscal Agent/Trustee	-	157,667
Accounts Receivable	253,798	78,702
Due from Other Funds	21,963	2,718,595
Total Current Assets	765,529	7,698,892
Noncurrent Assets:		
Fixed Assets-		
Buildings and Improvements	4,767,384	-
Accumulated Depreciation - Buildings	(1,642,099)	-
Equipment	8,170	29,696
Accumulated Depreciation - Equipment	(5,252)	(29,696)
Total Noncurrent Assets	3,128,203	-
Total Assets	$ 3,893,732	$ 7,698,892
LIABILITIES:		
Current Liabilities:		
Accounts Payable	$ 347,954	$ 646,394
Due to Other Funds	550,135	98,735
Deferred Revenue	69,157	35,876
Total Current Liabilities	967,246	781,005
Total Liabilities	967,246	781,005
NET ASSETS:		
Unrestricted Net Assets	2,926,486	6,917,887
Total Net Assets	$ 2,926,486	$ 6,917,887

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, 2010

	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
Operating Revenues:		
Local Revenue	$ 13,187,646	$ 7,779,063
Total Revenues	13,187,646	7,779,063
Operating Expenses:		
Certificated Personnel Salaries	1,509,822	27,802
Classified Personnel Salaries	6,691,815	200,359
Employee Benefits	2,437,613	85,914
Books and Supplies	599,427	28,148
Services and Other Operating Expenses	1,762,953	7,738,798
Capital Outlay	107,109	2,970
Total Expenses	13,108,739	8,083,991
Operating Income (Loss)	78,907	(304,928)
Income (Loss) before Contributions and Transfers	78,907	(304,928)
Interfund Transfers In	-	1,246,948
Interfund Transfers Out	-	(2,476,000)
Change in Net Assets	78,907	(1,533,980)
Total Net Assets - Beginning	2,847,579	8,451,867
Total Net Assets - Ending	$ 2,926,486	$ 6,917,887

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, 2010

	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 12,953,397	$ 8,461,592
Cash Payments to Employees for Services	(10,620,314)	(314,075)
Cash Payments to Other Suppliers for Goods and Services	(2,468,912)	(10,294,859)
Net Cash Provided (Used) by Operating Activities	(135,829)	(2,147,342)
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	6,701	68,418
Net Cash Provided (Used) for Investing Activities	6,701	68,418
Net Increase (Decrease) in Cash and Cash Equivalents	(129,128)	(2,078,924)
Cash and Cash Equivalents at Beginning of Year	618,896	6,980,519
Cash and Cash Equivalents at End of Year	$ 489,768	$ 4,901,595
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ 78,907	$ (1,533,980)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	107,109	2,970
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(249,931)	(2,048)
Decrease (Increase) in Due From	22,026	(529,829)
Decrease (Increase) in Prepaid Expenses	-	603,738
Increase (Decrease) in Accounts Payable	19,513	(663,081)
Increase (Decrease) in Due To	(90,407)	7,430
Increase (Decrease) in Deferred Revenue	(16,345)	35,876
Total Adjustments	(208,035)	(544,944)
Net Cash Provided (Used) by Operating Activities	$ (129,128)	$ (2,078,924)

The accompanying notes are an integral part of this statement.

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

	Private-Purpose Trust Fund	Agency Fund
	Foundation Private-Purpose Trust Fund	Student Body Fund
ASSETS:		
Cash in County Treasury	$ 751,392	$ -
Cash on Hand and in Banks	-	2,339,053
Accounts Receivable	1,448	70
Store Inventories	-	78,498
Total Assets	$ 752,840	$ 2,417,621
LIABILITIES:		
Accounts Payable	$ 5	$ 3,880
Due to Other Funds	21	-
Due to Student Groups	-	2,413,741
Total Liabilities	26	2,417,621
NET ASSETS:		
Held in Trust	752,814	-
Total Net Assets	$ 752,814	$ -

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, 2010

	Foundation Private-Purpose Trust Fund
Additions:	
Investment Income	$ 7,518
Other Local Revenue	109,200
Total Additions	116,718
Deductions:	
Classified Salaries	1,582
Employee Benefits	160
Books & Supplies	14,227
Services & Other Operating Expenses	84,192
Total Deductions	100,161
Change in Net Assets	16,557
Net Assets-Beginning of the Year	736,257
Net Assets-End of the Year	$ 752,814

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.

Capital Projects 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.

The District reports the following enterprise funds:

Enterprise Fund. This fund is used to account for revenues and expenses associated with the District's Extended Student Services program which operates pre-schools and before/after school programs throughout the District.

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

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

d. Compensated Absences

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

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

e. Deferred Revenue

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

f. Interfund Activity

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

g. Property Taxes

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

h. Fund Balance Reserves and Designations

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

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

i. Use of Estimates

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
None reported	Not applicable

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

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Cash and Investments

1. Cash in County Treasury

In accordance with Education Code Section 41001, the District is considered to be an involuntary participant in an external investment pool and as such maintains substantially all of its cash in the San Diego County Treasury ($57,363,204 as of June 30, 2010). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $57,363,204. 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 ($4,469,746 as if June 30, 2010) and in the revolving fund ($109,513) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments

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

Investment or Investment Type	Fair Value
US Treasury Obligations	$ 756,580
Money Market	124,504,178
Total Investments	$ 125,260,758

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.

D. Accounts Receivable

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2010 consist of:

	General Fund	Building Fund	Capital Projects Fund for Blended Component Units	All Other Governmenal Funds	Total Governmental Funds
Federal Government:					
Federal Programs	$ 2,369,973	$ -	$ -	$ 153,065	$ 2,523,038
State Government:					
Revenue Limit	14,077,530	-	-	-	14,077,530
Lottery	1,520,072	-	-	-	1,520,072
Other State Programs	7,826,012	-	-	86,848	7,912,860
Local Sources:					
Interest	110,705	51,094	-	27,080	188,879
Other Local Sources	767,918	473	-	3,128,222	3,896,613
Total	$ 26,672,210	$ 51,567	$ -	$ 3,395,215	$ 30,118,992

	Other Non Governmental Funds
Local Sources:	
Interest	15,485
Other Local Sources	318,533
Total	$ 334,018

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 70,923,074	$ 4,713,880	$ -	$ 75,636,954
Work in progress	190,089,525	55,349,480	206,404,051	39,034,954
Total capital assets not being depreciated	261,012,599	60,063,360	206,404,051	114,671,908
Capital assets being depreciated:				
Buildings	675,364,302	202,171,637	-	877,535,939
Land improvements	35,921,365	3,779,171	-	39,700,536
Equipment	30,364,248	2,244,007	14,115	32,594,140
Total capital assets being depreciated	741,649,915	208,194,815	14,115	949,830,615
Less accumulated depreciation for:				
Buildings	(77,913,936)	(17,528,226)	-	(95,442,162)
Land improvements	(15,214,868)	(1,490,134)	-	(16,705,002)
Equipment	(21,167,478)	(1,768,438)	(14,115)	(22,921,801)
Total accumulated depreciation	(114,296,282)	(20,786,798)	(14,115)	(135,068,965)
Total capital assets being depreciated, net	627,353,633	187,408,017	-	814,761,650
Governmental activities capital assets, net	$ 888,366,232	$ 247,471,377	$ 206,404,051	$ 929,433,558

	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	(1,536,157)	(105,942)	-	(1,642,099)
Equipment	(4,085)	(1,167)	-	(5,252)
Total accumulated depreciation	(1,540,242)	(107,109)	-	(1,647,351)
Total capital assets being depreciated, net	3,235,312	(107,109)	-	3,128,203
Business-type activities capital assets, net	$ 3,235,312	$ (107,109)	$ -	$ 3,128,203

Depreciation was charged to functions as follows:

Instruction	$ 13,997,187
Instruction-Related Services	3,876,805
Pupil Services	1,551,046
Ancillary Services	10,475
Community Services	3,310
Enterprise	6,144
General Administration	659,901
Plant Services	681,930
Business Type Activities	107,109
	$ 20,893,907

F. Accounts Payable

Accounts payable balances as of June 30, 2010 consist of:

	General Fund	Building Fund	Capital Projects Fund for Blended Component Units	All Other Governmental Funds	Total Governmental Funds
Accounts Payable:					
Vendor payables	$ 1,565,057	$ 6,260,217	$ 3,100,000	$ 1,417,530	$ 12,342,804
Payroll and benefits	1,673,402	10,135	-	71,969	1,755,506
Total	$ 3,238,459	$ 6,270,352	$ 3,100,000	$ 1,489,499	$ 14,098,310

	Other Non Governmental Funds
Accounts Payable:	
Vendor payables	$ 660,570
Payroll and benefits	337,664
Total	$ 998,234

G. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund		Amount
General Fund	Adult Education Fund	$	82,138
General Fund	Cafeteria Fund		352,481
General Fund	Special Reserve Fund		20,971
General Fund	Enterprise Fund		480,897
General Fund	Building Fund		189,967
General Fund	Child Development Fund		4,108
General Fund	Capital Facilities Fund		6,572
General Fund	Self Insurance Fund		97,618
Adult Education Fund	General Fund		55,519
Adult Education Fund	General Fund		13,156
Child Development Fund	Enterprise Fund		173
Cafeteria Fund	General Fund		3,994
Special Reserve Fund	General Fund		341,849
State School Facilities Fund	General Fund		450
Special Reserve Fund	General Fund		725,000
Enterprise Fund	General Fund		12,090
Enterprise Fund	Child Development Fund		9,872
Self Insurance Fund	County School Facilities Fund		17
Self Insurance Fund	Special Reserve Fund		48
Self Insurance Fund	Foundation Private Purpose Fund		23
Self Insurance Fund	Self Insurance Fund		1,118
Self Insurance Fund	General Fund		2,608,583
Self Insurance Fund	Adult Education Fund		4,235
Self Insurance Fund	Cafeteria Fund		28,878
Self Insurance Fund	Enterprise Fund		69,065
Self Insurance Fund	Building Fund		4,297
Self Insurance Fund	Child Development Fund		2,146
Self Insurance Fund	Capital Facilities Fund		195
	Total	$	5,115,460

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

2. Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount
General Fund	General Fund	$ 169,524
Self Insurance Fund	General Fund	2,152,000
General Fund	Self Insurance Fund	1,146,948
General Fund	Special Reserve Fund, Capital	729,000
Special Reserve Fund, Other	Special Reserve Fund, Capital	356,000
Building Fund	Special Reserve Fund, Capital	5,000,000
General Fund	Adult Education Fund	429,767
General Fund	Deferred Maintenance Fund	800,000
General Fund	Self Insurance Fund	100,000
State School Facilities Fund	Blended Component Unit Fund	13,646,606
Special Reserve Fund	Special Reserve Fund	647,301
Blended Component Unit Fund	Building Fund	7,422,788
Capital Projects Fund	Blended Component Unit Fund	30,504,534
Blended Component Unit Fund	Blended Component Unit Fund	23,459,133
Special Reserve Fund, Other	General Fund	72,000
Blended Component Unit Fund	Special Reserve Fund, Capital	3,100,000
General Fund	Special Reserve Fund, Other	759,849
	Total	$ 90,495,450

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, 2010 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 175,620,766	$ -	$ 1,485,000	$ 174,135,766	$ 1,835,000
Capital leases	2,594,647	-	1,079,764	1,514,883	983,534
Lease revenue bonds	127,465,490	-	-	127,465,490	268,257
Special tax bonds	545,202,490	8,995,000	6,830,000	547,367,490	7,705,000
Bond anticipation notes	-	24,998,007	-	24,998,007	-
Bond premium	11,707,161	565,856	648,384	11,624,633	903,020
Accreted interest	-	16,271,773	-	16,271,773	31,743
SERP retirement	-	10,009,174	-	10,009,174	2,502,294
Other general long term debt	1,212,691	56,899	286,616	982,974	316,674
OPEB	6,773,915	3,223,033	-	9,996,948	-
Compensated absences *	3,973,278	-	714	3,972,564	3,972,564
Total governmental activities	$ 874,550,438	$ 64,119,742	$ 10,330,478	$ 928,339,702	$ 18,518,086

* 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 and bond premium, at June 30, 2010 are as follows:

	Governmental Activities			
Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2011	$ 17,583,323	$ 31,743	$ 34,053,818	$ 51,668,884
2012	39,582,520	1,314,317	33,978,569	74,875,406
2013	15,488,074	42,324	33,874,827	49,405,225
2014	16,434,388	52,905	33,308,281	49,795,574
2015	14,802,095	52,905	35,827,356	50,682,356
2016-2020	104,324,591	9,340,409	181,938,474	295,603,474
2021-2025	144,652,796	29,067,204	155,750,349	329,470,349
2026-2030	215,548,479	65,511,521	113,527,013	394,587,013
2031-2035	204,802,159	113,437,841	60,442,944	378,682,944
2036-2040	93,731,722	7,423,278	20,864,130	122,019,130
2040-2044	23,496,201	4,823,799	2,933,608	31,253,608
Totals	$ 890,446,348	$ 231,098,246	$ 706,499,369	$ 1,828,043,963

3. Capital Leases

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

Year Ending June 30:	
2011	$ 1,040,695
2012	551,082
Total Minimum Lease Payments	1,591,777
Less Amount Representing Interest	(76,894)
Present Value of Net Minimum Lease Payments	$ 1,514,883

4. Bond Anticipation Notes

In March 2010, the District, on behalf of the School Facilities Improvement District No. 2007-1, issued 2008 Election, Series 2010 General Obligation Bond Anticipation Notes in the amount of $24,998,007. General Obligation Bonds were authorized at a special election of the registered voters within the improvement 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 bonds not to exceed $179,000,000 principal. The school district, on behalf of the improvement district, has previously issued $73,998,936 aggregate initial principal. Therefore, $105,001,064 aggregate principal amount of General Obligation Bonds remain authorized but unissued. The 2010 Notes are payable from the proceeds of the sale of General Obligation Bonds or any bond anticipation notes issued in renewal of the 2010 Notes pursuant to Section 15150 of the Education Code or from other funds of the School District lawfully available for the purpose of repaying the 2010 Notes. The 2010 Notes are being issued as capital appreciation notes in denominations of $5,000 accreted value on the maturity date. The notes accrete in value from the date of issuance, compounding semi-annually on June 1 and December 1 of each year at a rate of 2.970% through December 1, 2011 at which point in time the notes become due. The School District anticipates that it will issue General Obligation Bonds to pay the 2010 Notes.

5. Accreted Interest

Accreted interest in the Long-Term Obligation Activity chart represents amounts that have compounded as of June 30, 2010 for the bonds which were issued as capital appreciation bonds. Accreted interest in the repayment schedule represents the entire amount that will be repaid in the years the accreted interest becomes due.

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 component units 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, 2010 is as follows:

Total Assets	$	851,812
Total Liabilities		434,220
Total Fund Balance		417,592
Total Cash Receipts		2,934,796
Total Cash Disbursements		2,699,382
Net Change in Fund Balance		235,414

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, 2010 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 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-10 was 9.70% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2010, 2009 and 2008 were $5,929,446, $6,244,809 and $6,158,527, 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 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2010, 2009 and 2008 were $10,272,133, $11,570,502 and $11,588,843, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was $5,311,504.

K. Postemployment Benefits Other Than Pension Benefits

Plan Description:
The Poway Unified School District (District) provides health benefit plans to eligible retirees up 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, inclusive of the annual required contribution, for the fiscal year ended June 30, 2010 is $4,794,647.

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, 2010, the amount actually contributed to the plan, and charges in the District's net OPEB obligation to the plan:

Annual required contribution	$	4,739,237
Interest on Net OPEB obligation		55,410
Contributions made		(1,571,614)
Increase in net OPEB obligation		3,223,033
Net OPEB obligations - beginning of year		6,773,915
Net OPEB obligations - end of year	$	9,996,948

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, 2010 is as follows:

Fiscal Year Ended June 30		Annual OPEB Costs	Percentage of Annual OPEB cost Contributed		Net OPEB Obligation
2010	$	4,794,647	-32.78%	$	9,996,948

Funded Status and Funding Progress

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 $467,594 is included in the liabilities under accounts payable and is reported in accordance with Financial Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated at the end of the fiscal year. Changes in the Internal Service Fund's claim liability in the fiscal year ended June 30, 2010 are indicated below:

Internal Service Fund:	Begining Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Year 2009-10	$ 873,829	$ (21,426)	$ 384,809	$ 467,594

N. Subsequent Events

On October 27, 2010 the District issued Special Tax Bonds on behalf of the Community Facilities District No. 6 in the amount of $5,775,000. The Bonds bear an interest rate ranging from 4.625% to 5.375%. Principal and interest payments are payable on March 1, 2011, and semiannually thereafter on each March 1 and September 1 through September 1, 2023. The bonds are being issued to finance, either directly or indirectly, the planning, design and construction of certain school facilities, to pay the costs of issuing the bonds, and to fund the amount necessary to increase the amount on deposit in the Reserve Fund to the Reserve Requirement applicable to the bonds.

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, 2010

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Revenue Limit Sources:				
State Apportionments	$ 64,788,734	$ 58,020,005	$ 58,020,005	$ -
Local Sources	110,007,929	105,964,444	105,964,439	(5)
Total Revenue Limit	174,796,663	163,984,449	163,984,444	(5)
Federal	11,939,598	18,806,978	16,050,367	(2,756,611)
Other State	45,854,018	45,838,518	45,828,702	(9,816)
Other Local	9,666,081	16,291,304	16,024,226	(267,078)
Total Revenues	242,256,360	244,921,249	241,887,739	(3,033,510)
Expenditures:				
Current:				
Certificated Salaries	129,406,875	126,812,645	124,847,960	1,964,685
Classified Salaries	40,100,734	42,023,137	40,985,787	1,037,350
Employee Benefits	44,710,996	46,399,007	45,016,326	1,382,681
Books And Supplies	8,547,209	11,151,870	6,743,902	4,407,968
Services And Other Operating Expenditures	27,965,801	27,941,510	25,022,186	2,919,324
Other Outgo	10,578	148,161	134,077	14,084
Capital Outlay	179,920	169,165	134,224	34,941
Total Expenditures	250,922,113	254,645,495	242,884,462	11,761,033
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,665,753)	(9,724,246)	(996,723)	8,727,523
Other Financing Sources (Uses):				
Transfers In	360,000	2,717,524	2,717,524	-
Transfers Out	(1,281,694)	(6,541,206)	(4,135,087)	2,406,119
Other Sources	-	2,381,120	2,381,118	(2)
Total Other Financing Sources (Uses)	(921,694)	(1,442,562)	963,555	2,406,117
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	(9,587,447)	(11,166,808)	(33,168)	11,133,640
Fund Balances, July 1	30,802,749	30,802,749	30,802,749	-
Fund Balances, June 30	$ 21,215,302	$ 19,635,941	$ 30,769,581	$ 11,133,640

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Acturial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/08	$ -	$ 38,297,941	$ 38,297,941	-	$ 198,028,878	19.3%
06/30/09	-	38,297,941	38,297,941	-	197,493,546	19.4%
06/30/10	-	40,681,511	40,681,511	-	179,353,990	22.7%

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, 2010

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	$ 3,762,589	$ 8,141,321	$ 7,902,284	$ 19,806,194
Cash on Hand and in Banks	982,060	-	-	982,060
Cash in Revolving Fund	1,700	-	-	1,700
Accounts Receivable	275,604	-	3,119,611	3,395,215
Due from Other Funds	414,691	-	725,450	1,140,141
Stores Inventories	309,509	-	-	309,509
Total Assets	$ 5,746,153	$ 8,141,321	$ 11,747,345	$ 25,634,819
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 659,489	$ -	$ 830,010	$ 1,489,499
Due to Other Funds	483,857	-	27,799	511,656
Deferred Revenue	73,350	-	-	73,350
Total Liabilities	1,216,696	-	857,809	2,074,505
Fund Balance:				
Reserved Fund Balances:				
Reserve for Revolving Cash	1,700	-	-	1,700
Reserve for Stores Inventories	309,509	-	-	309,509
Unreserved, reported in nonmajor:				
Special Revenue Funds	4,218,248	-	-	4,218,248
Debt Service Funds	-	8,141,321	-	8,141,321
Capital Projects Funds	-	-	10,889,536	10,889,536
Total Fund Balance	4,529,457	8,141,321	10,889,536	23,560,314
Total Liabilities and Fund Balances	$ 5,746,153	$ 8,141,321	$ 11,747,345	$ 25,634,819

POWAY UNIFIED SCHOOL DISTRICT

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

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	$ 2,303,771	$ -	$ -	$ 2,303,771
Other State Revenue	236,174	121,809	-	357,983
Other Local Revenue	6,645,143	11,396,173	3,792,030	21,833,346
Total Revenues	9,185,088	11,517,982	3,792,030	24,495,100
Expenditures:				
Instruction	1,010,654	-	-	1,010,654
Instruction - Related Services	432,577	-	-	432,577
Pupil Services	7,690,274	-	-	7,690,274
General Administration	400,540	-	30,930	431,470
Plant Services	440,703	-	12,668,515	13,109,218
Debt Service:				
Principal	-	8,315,000	1,366,381	9,681,381
Interest	-	32,132,147	155,202	32,287,349
Total Expenditures	9,974,748	40,447,147	14,221,028	64,642,923
Excess (Deficiency) of Revenues Over (Under) Expenditures	(789,660)	(28,929,165)	(10,428,998)	(40,147,823)
Other Financing Sources (Uses):				
Transfers In	2,636,917	30,504,534	9,185,000	42,326,451
Transfers Out	(428,000)	-	(14,293,907)	(14,721,907)
Other Sources	(2,381,118)	34,518	-	(2,346,600)
Total Other Financing Sources (Uses)	(172,201)	30,539,052	(5,108,907)	25,257,944
Net Change in Fund Balance	(961,861)	1,609,887	(15,537,905)	(14,889,879)
Fund Balance, July 1	5,491,318	6,531,434	26,427,441	38,450,193
Fund Balance, June 30	$ 4,529,457	$ 8,141,321	$ 10,889,536	$ 23,560,314

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POWAY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Adult Education Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	$ 34,610	$ 26,335
Cash on Hand and in Banks	1,541	-
Cash in Revolving Fund	-	-
Accounts Receivable	170,240	24,730
Due from Other Funds	68,675	173
Stores Inventories	-	-
Total Assets	$ 275,066	$ 51,238
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 49,087	$ 1,675
Due to Other Funds	86,372	16,126
Deferred Revenue	73,350	-
Total Liabilities	208,809	17,801
Fund Balance:		
Reserved Fund Balances:		
Reserve for Revolving Cash	-	-
Reserve for Stores Inventories	-	-
Unreserved, reported in nonmajor:		
Special Revenue Funds	66,257	33,437
Total Fund Balance	66,257	33,437
Total Liabilities and Fund Balances	$ 275,066	$ 51,238

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
$ 2,329,531	$ 734,155	$ 637,958	$ 3,762,589
980,519	-	-	982,060
1,700	-	-	1,700
79,128	1,506	-	275,604
3,994	-	341,849	414,691
309,509	-	-	309,509
$ 3,704,381	$ 735,661	$ 979,807	$ 5,746,153
$ 342,072	$ 266,655	$ -	$ 659,489
381,359	-	-	483,857
-	-	-	73,350
723,431	266,655	-	1,216,696
1,700	-	-	1,700
309,509	-	-	309,509
2,669,741	469,006	979,807	4,218,248
2,980,950	469,006	979,807	4,529,457
$ 3,704,381	$ 735,661	$ 979,807	$ 5,746,153

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

	Adult Education Fund	Child Development Fund
Revenues:		
Federal Revenue	$ 183,430	$ -
Other State Revenue	(232,235)	344,213
Other Local Revenue	743,518	558
Total Revenues	694,713	344,771
Expenditures:		
Instruction	703,515	307,139
Instruction - Related Services	410,335	22,242
Pupil Services	48,640	-
General Administration	40,997	15,389
Plant Services	-	-
Total Expenditures	1,203,487	344,770
Excess (Deficiency) of Revenues Over (Under) Expenditures	(508,774)	1
Other Financing Sources (Uses):		
Transfers In	429,767	-
Transfers Out	-	-
Other Sources	-	-
Total Other Financing Sources (Uses)	429,767	-
Net Change in Fund Balance	(79,007)	1
Fund Balance, July 1	145,264	33,436
Fund Balance, June 30	$ 66,257	$ 33,437

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
$ 2,120,341	$ -	$ -	$ 2,303,771
124,196	-	-	236,174
5,889,446	11,621	-	6,645,143
8,133,983	11,621	-	9,185,088
-	-	-	1,010,654
-	-	-	432,577
7,641,634	-	-	7,690,274
344,154	-	-	400,540
98,088	342,615	-	440,703
8,083,876	342,615	-	9,974,748
50,107	(330,994)	-	(789,660)
-	800,000	1,407,150	2,636,917
-	-	(428,000)	(428,000)
-	(2,381,118)	-	(2,381,118)
-	(1,581,118)	979,150	(172,201)
50,107	(1,912,112)	979,150	(961,861)
2,930,843	2,381,118	657	5,491,318
$ 2,980,950	$ 469,006	$ 979,807	$ 4,529,457

POWAY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2010

	Bond Interest & Redemption	Debt Service Fund For Blended Component Units	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ 8,141,321	$ -	$ 8,141,321
Total Assets	$ 8,141,321	$ -	$ 8,141,321
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	-	-	-
Fund Balance:			
Unreserved, reported in nonmajor:			
Debt Service Funds	$ 8,141,321	$ -	$ 8,141,321
Total Fund Balance	8,141,321	-	8,141,321
Total Liabilities and Fund Balances	$ 8,141,321	$ -	$ 8,141,321

POWAY UNIFIED SCHOOL DISTRICT

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

	Bond Interest & Redemption	Debt Service Fund For Blended Component Units	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Other State Revenue	$ 121,809	$ -	$ 121,809
Other Local Revenue	11,396,173	-	11,396,173
Total Revenues	11,517,982	-	11,517,982
Expenditures:			
Debt Service:			
Principal	1,485,000	6,830,000	8,315,000
Interest	8,457,613	23,674,534	32,132,147
Total Expenditures	9,942,613	30,504,534	40,447,147
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,575,369	(30,504,534)	(28,929,165)
Other Financing Sources (Uses):			
Transfers In	-	30,504,534	30,504,534
Other Sources	34,518	-	34,518
Total Other Financing Sources (Uses)	34,518	30,504,534	30,539,052
Net Change in Fund Balance	1,609,887	-	1,609,887
Fund Balance, July 1	6,531,434	-	6,531,434
Fund Balance, June 30	$ 8,141,321	$ -	$ 8,141,321

POWAY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2010

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	$ 2,491,883	$ 2,627,007	$ 2,783,394	$ 7,902,284
Accounts Receivable	5,108	5,742	3,108,761	3,119,611
Due from Other Funds	-	450	725,000	725,450
Total Assets	$ 2,496,991	$ 2,633,199	$ 6,617,155	$ 11,747,345
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 53,984	$ 12,036	$ 763,990	$ 830,010
Due to Other Funds	6,766	16	21,017	27,799
Total Liabilities	60,750	12,052	785,007	857,809
Fund Balance:				
Unreserved, reported in nonmajor:				
Capital Projects Funds	2,436,241	2,621,147	5,832,148	10,889,536
Total Fund Balance	2,436,241	2,621,147	5,832,148	10,889,536
Total Liabilities and Fund Balances	$ 2,496,991	$ 2,633,199	$ 6,617,155	$ 11,747,345

POWAY UNIFIED SCHOOL DISTRICT

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

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	$ 266,356	$ 91,059	$ 3,434,615	$ 3,792,030
Total Revenues	266,356	91,059	3,434,615	3,792,030
Expenditures:				
General Administration	30,930	-	-	30,930
Plant Services	296,816	3,194,066	9,177,633	12,668,515
Debt Service:				
Principal	-	-	1,366,381	1,366,381
Interest	-	-	155,202	155,202
Total Expenditures	327,746	3,194,066	10,699,216	14,221,028
Excess (Deficiency) of Revenues Over (Under) Expenditures	(61,390)	(3,103,007)	(7,264,601)	(10,428,998)
Other Financing Sources (Uses):				
Transfers In	-	-	9,185,000	9,185,000
Transfers Out	-	(13,646,606)	(647,301)	(14,293,907)
Total Other Financing Sources (Uses)	-	(13,646,606)	8,537,699	(5,108,907)
Net Change in Fund Balance	(61,390)	(16,749,613)	1,273,098	(15,537,905)
Fund Balance, July 1	2,497,631	19,370,760	4,559,050	26,427,441
Fund Balance, June 30	$ 2,436,241	$ 2,621,147	$ 5,832,148	$ 10,889,536

Other Supplementary Information

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

Supplementary Information Section

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

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 to the boundaries during the current year. The district is currently operating twenty five elementary schools, six middle schools, four comprehensive high schools, and one continuation high school. The district also maintains twenty five preschools, one New Directions program, and one Adult school.

Governing Board

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

Administration

Donald A. Phillips, Ed.D.
Superintendent

John P. Collins, Ed.D.
Deputy Superintendent

William Chiment
Associate Superintendent

Mel Robertson, Ed.D.
Assistant Superintendent

Diane Cantelli
Assistant Superintendent

Eric Lehew
Executive Director

Malliga Tholandi
Chief Financial Officer

POWAY UNIFIED SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2010

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	2,399.00	2,441.22	2,391.61	2,447.80
Grades 1 through 3	6,910.37	6,911.51	6,932.48	6,931.95
Grades 4 through 6	7,247.91	7,249.91	7,252.87	7,252.88
Grades 7 and 8	4,864.02	4,864.45	4,868.19	4,868.19
Home and hospital	5.29	5.36	5.26	5.26
Special education	582.87	582.98	585.97	585.97
Elementary totals	22,009.46	22,055.43	22,036.38	22,092.05
High School:				
Grades 9 through 12, regular classes	10,019.75	10,040.13	9,999.74	9,999.74
Home and hospital	3.39	3.01	3.31	3.31
Special education	333.38	333.81	312.31	316.34
Continuation education	208.84	208.44	203.78	203.57
High school totals	10,565.36	10,585.39	10,519.14	10,522.96
ADA totals	32,574.82	32,640.82	32,555.52	32,615.01

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

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2010

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2009-10 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,680	N/A	36,000	N/A	36,000	180	-	Complied
Grade 1	47,149	N/A	50,400	N/A	52,810	180	-	Complied
Grade 2	47,149	N/A	50,400	N/A	52,810	180	-	Complied
Grade 3	47,149	N/A	50,400	N/A	52,810	180	-	Complied
Grade 4	49,684	N/A	54,000	N/A	54,002	180	-	Complied
Grade 5	49,684	N/A	54,000	N/A	54,002	180	-	Complied
Grade 6	60,703	N/A	54,000	N/A	61,107	180	-	Complied
Grade 7	60,703	N/A	54,000	N/A	61,107	180	-	Complied
Grade 8	60,703	N/A	54,000	N/A	61,107	180	-	Complied
Grade 9	54,441	N/A	64,800	N/A	64,883	180	-	Complied
Grade 10	54,441	N/A	64,800	N/A	64,883	180	-	Complied
Grade 11	54,441	N/A	64,800	N/A	64,883	180	-	Complied
Grade 12	54,441	N/A	64,800	N/A	64,883	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

TABLE D-3

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

General Fund	(Budget) 2011	2010	2009	2008
Revenues and other financial sources	$ 227,243,469	$ 246,986,381	$ 275,491,126	$ 267,051,747
Expenditures, other uses and transfers out	239,101,277	247,019,549	264,943,069	272,506,958
Change in fund balance (deficit)	(11,857,808)	(33,168)	10,548,057	(5,455,211)
Ending fund balance	$ 18,911,773	$ 30,769,581	$ 30,802,749	$ 20,254,692
Available reserves	$ 13,777,132	$ 24,731,914	$ 24,527,968	$ 19,639,334
Available reserves as a percentage of total outgo	5.8%	10.0%	9.3%	7.2%
Total long-term debt	$ 909,821,616	$ 928,339,702	$ 874,550,438	$ 792,491,936
Average daily attendance at P-2	32,831	32,641	32,669	32,344

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 $5,059,678 over the past three years. The fiscal year 2010-11 budget projects a decrease of $11,857,808. For a district this size, the state recommends available reserves of at least 2% of total general fund expenditures, other uses and transfers out.

Long-term debt has increased by $278,945,088 over the past three years.

Average daily attendance (ADA) has increased by 749 over the past three years.

POWAY UNIFIED SCHOOL DISTRICT

TABLE D-4

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

	Blended Component Units Fund
June 30, 2010, annual financial and budget report fund balances	$ 115,710,713
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts payable understatement	(3,100,000)
Net adjustments and reclassifications	(3,100,000)
June 30, 2010, audited financial statement fund balances	$ 112,610,713

	Government Wide Long-Term Liabilities
June 30, 2010, annual financial and budget report total long term liabilities	$ 912,067,929
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Understatement resulting from accreted interest	16,271,773
Net adjustments and reclassifications	16,271,773
June 30, 2010, audited financial statement total long term liabilities	$ 928,339,702

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.

No charter schools are chartered by Poway Unified School District.

Charter Schools	Included In Audit?
None	N/A

POWAY UNIFIED SCHOOL DISTRICT

TABLE D-6

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF THE INTERIOR			
Direct Program:			
Wildlife Restoration *	15.611	-	$ 540
Total U. S. Department of the Interior			540
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through State Department of Education:			
Child Development	93.956	10125	10,389
Total U. S. Department of Health and Human Services			10,389
U. S. DEPARTMENT OF EDUCATION			
Direct Program:			
Impact Aid - P.L. 81.874 *	84.041	-	43,914
Passed Through State Department of Education:			
Adult Education	84.002	13978	183,430
Title I *	84.010	14329	1,361,321
Special Education *	84.027	13379	5,074,737
Vocational Education	84.048	13924	117,406
Transitional Partnership	84.158	10006	277,422
Preschool *	84.173	13430	93,770
Early Intervention *	84.181	23761	117,525
Title IV - Safe and Drug Free Schools	84.186	14378	88,745
Title X - McKinney-Vento Homeless Assistance *	84.196	14332	46,011
Title I - Even Start	84.213	14331	125,000
Title V - Innovative Education	84.298	14354	7,248
Title II - Technology *	84.318	14334	7,104
Title III - Limited English Proficiency	84.365	10084	264,190
Title II - Teacher Quality	84.367	14341	719,055
Title II - Bilingual Teacher Training Program	84.367	01038	211,193
Title II - Administrator Training	84.367	14344	4,500
Advanced Placement	84.369	14831	6,278
ARRA - Title X McKinney-Vento Homeless Assistance *	84.387	15007	2,088
ARRA - Title I *	84.389	15005	525,906
ARRA - Special Education *	84.391	15003	4,401,904
ARRA - Preschool *	84.392	15000	134,739
ARRA - State Fiscal Stabilization Fund *	84.394	24997	4,777,333
Total Passed Through State Department of Education			18,546,905
Total U. S. Department of Education			18,590,819
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	13396	2,120,340
Total U. S. Department of Agriculture			2,120,340
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 20,722,088

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

The accompanying notes are an integral part of this schedule.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

1. 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.

2. Subrecipients

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

Program Title	Federal CFDA Number		Amount Provided to Subrecipients
Title II - Teacher Quality	84.367	$	4,541
Title II - Technology	84.318		924
Title V - Innovative Education	84.298		1,452
Total Provided to Subrecipients		$	6,917

Other Independent Auditor's Reports

WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
218 W Douglas Ave.
El Cajon, CA 92020

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

Board of Trustees
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, 2010, which collectively comprise the Poway Unified School District's basic financial statements and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2010-1 and 2010-2.

Poway Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Poway Unified School District's response and, accordingly, we express no opinion on it.

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
October 29, 2010

WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
218 W Douglas Ave.
El Cajon, CA 92020

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

Board of Trustees
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, 2010. 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, 2010.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Poway Unified School District's internal control over compliance.

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

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

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

Wilkinson Hadley King & Co. LLP

El Cajon, California
October 29, 2010

WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
218 W Douglas Ave.
El Cajon, CA 92020

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, 2010, and have issued our report thereon dated October 29, 2010. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2009-10*, published by the Education Audit Appeals Panel**.** Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	N/A
Only One School Serving Grades K-3	4	N/A

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

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

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
October 29, 2010

Findings and Recommendations Section

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

2. Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.394	ARRA - State Fiscal Stabilization Funds
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.010, 84.389	Title I Cluster
84.367	Title II - Teacher Quality
84.365	Title III - Limited English Proficiency

Dollar threshold used to distinguish between type A and type B programs: $621,663

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

Finding 2010-1 (30000)
Student Body Funds

Criteria or Specific Requirement
Verify that controls are in place to safeguard student body funds and properly account for all amounts collected and disbursed.

Condition
A. At Black Mountain Middle School the school was unable to provide supporting documents for six out of eight deposits selected and one cash transmittal form was altered with no initials or explanation for the alteration.

B. At Twin Peaks Middle School no disbursements were defaced as paid.

Questioned Costs
None

Recommendation
A. We recommend the district implement procedures requiring careful documentation of all deposits received in student body organizations. The procedures should require documentation of any alterations to cash transmittal forms or other supporting documents. In addition, the district should implement district wide standards to ensure all sites are providing sufficient support for amounts received.

B. We recommend the district implement procedures requiring all disbursements of student body funds be defaced as paid in order to prevent duplicate payment.

LEA's Response
A. The school site believes that back-up documents were provided for all deposits but the documentation was kept by individual advisors and not attached to the deposits. The Accounting Technician at the school site has now changed the way receipts are handled. All deposits will have a cash transmittal form and any alteration to the form will have initials and explanations.

B. A "PAID" stamp is currently being used on each invoice that is paid.

In addition, the District Finance office continues to visit school sites to do internal audits and review of the ASB functions and procedures.

Finding 2010-2 (30000)
Compensated Absences

Criteria or Specific Requirement
Determine that the district has a policy to ensure employees are taking vacation and minimize the compensated absences liability.

Condition
In our review of compensated absences we noted that the board implemented a policy limiting the amount of vacation time allowed to be carried over between fiscal years. The payroll department evaluates the allowable carryover on three occasions during the year and provides supervisors with a list of employees in excess of the allowable carryover. Although the supervisors are being provided this information three times during the year, the June 30, 2010 compensated absences list still showed a significant number of employees were in excess of the board approved policy for allowable carryover. As a result, the liability remained just under $4,000,000.

Questioned Costs
None

Recommendation
We recommend that the district implement policies requiring employees to take vacation in order to reduce their carryover to be within the allowable amounts under the approved board policy.

LEA's Response
Twice annually, generally prior to Thanksgiving Recess and mid-January, district managers are provided the leave accrual totals for the employees they supervise. This report highlights those whose leave accruals exceed the allowable one-year carryovers. On occasion, copies of the following two years' calendars have been included. Managers are instructed to work with those employees with excessive accrued vacation to develop a plan to utilize vacation to become within allowable limits. Because of the severe fiscal crisis, vacation pay out has been discouraged.

Our Board Policy 4.408.1 on vacation procedures allows employees to carry forward one year's vacation allowance. For the 2009-2010 fiscal year, the amount of the allowable carryover is $2,617,423. The amount in excess of the annual allowance is $1,341,639.

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

Finding 2010-3 (10000)
Continuation Education Attendance System

Criteria or Specific Requirement
Verify that attendance was not credited for more than the scheduled class time.

Condition
In our review of time credited to students in the attendance system we noted that the computerized attendance system showed period five starting at 11:00 AM and ending at 11:25 AM and showed period six starting at 11:30 AM and ending at 1:15 PM while the bell schedule showed periods five and six were blocked together starting at 11:30 AM and ending at 1:15 PM. In review of the school bell schedule lunch is scheduled from 11:00 AM to 11:30 AM. The error in the attendance system resulted in all students who were scheduled for periods five and six to receive an additional 25 minutes credited to them than the actual class time. Since the computerized system limited weekly attendance to a maximum of 15 hours per week (except for weeks with holidays which were proportionately reduced) and the daily bell schedule showed students were receiving 24.1667 hours of attendance per week if scheduled for all periods, the additional 25 minutes per day only had potential to affect backfill. Since there were so many backfill hours available it is unlikely that a correction to the system would result in a change to the Average Daily Attendance reported to the California Department of Education on the Period Two and Annual Reports of Attendance; however, the error in the system is considered a deficiency in internal control over compliance.

Questioned Costs
Since the error was a deficiency in internal control over compliance and did not affect Average Daily Attendance there are no questioned costs.

Recommendation
The district should carefully review the bell schedules in the attendance system to ensure that they match the actual bell schedules for the Continuation Education program.

LEA's Response
In August 2009, the Finance Department reviewed and verified that the bell schedule posted in “SASI”, the attendance program, matched the school’s actual bell schedule. However, during the fiscal year when data was being transferred to the new attendance program "Genesis", the school experienced computer problems. Following this problem, “SASI” included the lunch period in the instructional minute count. Since the students had generated attendance hours (backfill hours) in excess of the required 15 hours per week, the auditor confirmed that the error in “SASI” did not affect the ADA reported.

The Finance Department will continue to monitor the instructional minutes in the bell schedules and in the attendance system.

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

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2009-1 Stores Inventory		
Commodities in stores inventory were recorded at cost rather than fair market value resulting in an understatement of inventory.		
We recommended the district implement procedures to record commodities at fair market value.	Implemented	
Finding 2009-2 Student Body Funds		
One school was unable to provide supporting documents for some deposits and another school completed deposit supporting documents in pencil allowing an opportunity for manipulation of the documents.		
We recommended the district implement procedures requiring all documentation for deposits to be completed in pen and maintained for audit purposes.	Being Implemented	See current year finding.

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 B Bonds are not a debt or obligation of the City, and property taxes for the payments of the Series B Bonds will only be levied on property within the School District.

Population

Poway's population as of January 1, 2010, was approximately 52,056 persons, representing approximately 1.6% of the population of the County. The population of the City and the County from 2001 to 2010 is shown in the following table. Since 2001, Poway's population has increased by approximately 6.2%, representing an annual compound growth rate of approximately 0.60%.

POPULATION OF POWAY AND SAN DIEGO COUNTY
2001-2010

	City of Poway		San Diego County	
Year	**Population**	**Annual % Change**	**Population**	**Annual % Change**
2001	49,009	– %	2,864,442	–%
2002	49,731	1.5%	2,920,566	2.0%
2003	50,113	0.8%	2,971,494	1.7%
2004	50,442	0.7%	3,010,023	1.3%
2005	50,509	0.1%	3,039,424	1.0%
2006	50,516	0.0%	3,065,312	0.9%
2007	50,700	0.4%	3,096,975	1.0%
2008	50,910	0.4%	3,141,700	1.4%
2009	51,322	0.8%	3,185,462	1.4%
2010	52,056	1.4%	3,224,432	1.2%

Note: California Department of Finance for January 1.

Employment

The following table summarizes wage and salary employment in the County from 2006 through 2010. Services, government, retail trade and manufacturing are the largest employment sectors in the County.

ANNUAL AVERAGE WAGE AND SALARY EMPLOYMENT
COUNTY OF SAN DIEGO
2006-2010

	Average Annual Employment[1]				
Industry	**2006**	**2007**	**2008**	**2009**	**2010**
Agriculture	10,900	10,900	10,500	9,500	9,700
Mining	500	400	400	400	400
Construction	92,700	87,000	76,100	61,100	55,500
Manufacturing	103,900	102,500	102,800	95,300	92,400
Transportation & Public Utilities	28,700	28,800	29,000	27,400	27,500
Wholesale Trade	45,100	45,500	44,900	40,600	39,200
Retail Trade	148,300	148,100	142,000	131,600	130,000
Finance, Insurance & Real Estate	76,900	73,600	68,800	64,300	62,100
Services	1,228,700	1,158,300	1,176,000	1,134,500	1,143,300
Government	217,900	222,400	225,100	224,500	226,000
Total, All Industries	1,312,500	1,319,700	1,309,300	1,240,900	1,229,800

(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 2010 benchmark.

The following table summarizes civilian labor force, employment and unemployment in the County from 2001 to 2010. The unemployment rate in the County in 2010 was 10.5%; in contrast, the average unemployment rate in California in 2010 was 12.4%. Unemployment rates have increased in recent years throughout California. The unemployment rate was approximately 9.7% in the County and 11.4% in California as of December 31, 2009. These rates are not seasonally adjusted.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
SAN DIEGO COUNTY
ANNUAL AVERAGES, 2001 THROUGH 2010

Year	Civilian Labor Force	Employed Labor Force(1)	Unemployed Labor Force(2)	Unemployment Rate(3)
2001	1,409,700	1,350,700	59,000	4.2%
2002	1,450,500	1,375,800	74,700	5.2%
2003	1,468,200	1,391,700	76,500	5.2%
2004	1,484,200	1,413,900	70,300	4.7%
2005	1,497,600	1,427,900	64,700	4.3%
2006	1,504,800	1,445,100	59,600	4.0%
2007	1,524,500	1,455,400	69,100	4.5%
2008	1,555,100	1,462,300	92,900	6.0%
2009	1,557,400	1,406,100	151,300	9.7%
2010	1,557,500	1,393,500	164,300	10.5%

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

Source: California Employment Development Department, based on March 2009 benchmark.

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
2006-2010
(in thousands)

	2006	2007	2008	2009	2010
Valuation ($000):					
Residential	$25,551	$15,011	$34,340	$18,300	$20,128
Non-residential	49,200	23,356	35,867	19,194	10,085
TOTAL	$74,551	$38,367	$70,207	$37,494	$30,213
Residential Units:					
Single family	26	24	53	48	14
Multiple family	56	0	0	0	77
TOTAL	82	24	53	48	91

Source: Construction Industry Research Board.

BUILDING PERMIT ACTIVITY
COUNTY OF SAN DIEGO
2006-2010
(in thousands)

	2006	2007	2008	2009	2010
Valuation ($000):					
Residential	2,452,241	1,852,379	1,339,245	878,701	1,040,505
Non-residential	1,614,134	1,416,824	1,061,801	583,964	658,867
TOTAL	4,066,375	3,269,203	2,401,046	1,462,665	1,699,372
Dwelling Units:					
Single family	4,670	3,503	2,352	1,786	2,254
Multiple family	6,011	3,942	2,802	1,204	1, 092
TOTAL	10,681	7,445	5,154	2,990	3,346

Source: Construction Industry Research Board.

Income

Total personal income in the County increased by approximately 41.8% between 2001 and 2010, representing an average annual compound growth rate of approximately 3.55%. Per capita personal income in the County grew by approximately 25.9% during this time, representing an average annual compound growth of approximately 3.6%.

The following tables summarize personal income growth for the County from 2001 to 2010.

SAN DIEGO COUNTY
PERSONAL INCOME
2001-2010
(in thousands)

Year	San Diego County	Annual Percent Change
2001	97,009,000	– %
2002	100,656,000	3.8%
2003	104,630,000	3.9%
2004	113,062,000	8.1%
2005	118,792,540	5.1%
2006	126,194,000	6.2%
2007	133,369,000	5.7%
2008	143,873,000	7.9%
2009	134,696,000	-6.4%
2010	137,525,000	2.1%

Source: County of San Diego, Comprehensive Annual Financial Report for the Year Ended June 30, 2010.

PER CAPITA PERSONAL INCOME
2001-2010

Year	San Diego County	California	United States
2001	33,886	33,890	31,145
2002	34,688	34,045	31,462
2003	35,810	34,977	32,271
2004	38,536	36,904	33,881
2005	40,383	38,767	35,424
2006	42,801	41,567	37,698
2007	44,832	43,402	39,392
2008	45,728	43,852	40,166
2009	42,285	42,548	39,626
2010	42,651	N/A	N/A

Source: U.S. Department of Commerce, Bureau of Economic Analysis and County of San Diego, Comprehensive Annual Financial Report for the Year Ended June 30, 2010.

Retail Sales

Taxable sales in the City and the County are shown below. Taxable sales in the City decreased by approximately -22.7% between 2005 and 2009). The largest taxable sales sectors in the City are general merchandise, auto dealers and supplies, other retail stores, eating and drinking places and service stations.

TAXABLE SALES
CITY OF POWAY
2005-2009

	Taxable Sales ($000)				
	2005	2006	2007	2008	2009
Apparel Stores	$ #	$ #	$ #	$ #	$4,979
General Merchandise	204,748	222,740	234,528	254,207	250,308
Food Stores	27,260	29,064	29,532	24,635	23,134
Eating & Drinking Places	53,452	55,723	56,155	55,296	53,635
Home Furnishings & Appliances	8,692	10,027	9,713	10,597	13,979
Building Materials & Farm Implements	123,749	120,196	89,345	#	42,658
Auto Dealers & Auto Supplies	261,658	270,195	262,356	181,103	124,283
Service Stations	50,097	56,164	60,071	71,511	52,984
Other Retail Stores	211,921#	199,281#	147,756#	143,928#	72,242
Total Retail Stores	$941,577	$963,390	$889,456	$741,277	$638,202
All Other Outlets	$232,590	$222,158	$234,820	$259,956	$269,850
Total All Outlets	$1,174,167	$1,185,548	$1,124,276	$1,001,233	$908,052

#Sales omitted because their publication would result in the disclosure of confidential information.

Source: California Board of Equalization.

TAXABLE SALES
COUNTY OF SAN DIEGO
2005-2009

	Taxable Sales ($000)				
	2005	**2006**	**2007**	**2008**	**2009**
Apparel Stores Group	$1,798,104	$ 1,909,011	$ 2,034,512	$ 2,205,568	$2,560,683
General Merchandise Group	5,406,091	5,594,621	5,673,538	5,305,252	5,243,273
Food Stores Group	1,858,152	1,928,274	1,994,237	1,868,466	1,934,812
Eating and Drinking Group	4,267,302	4,521,392	4,784,500	4,869,497	4,717,292
Home Furnishings and Appliances	1,566,046	1,511,389	1,420,933	1,590,329	2,024,448
Building Materials	3,376,009	3,331,161	2,768,385	2,183,006	1,841,740
Automotive Group	6,513,419	6,230,427	6,321,987	5,010,084	41966,256
Service Stations	3,225,717	3,589,505	3,755,121	4,154,465	3,153,090
Other Retail Stores	5,773,955	6,003,287	5,285,332	4,529,006	2,286,926
Retail Stores Totals	$33,784,795	$34,619,067	$34,038,545	$31,715,672	$27,958,520
All Other Outlets	$12,894,676	$13,216,447	$13,447,443	$13,613,464	$11,770,139
Total All Outlets	$46,679,471	$47,835,514	$47,485,988	$45,329,136	$39,728,659

Source: California Board of Equalization.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series B 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 Series B Bonds in substantially the following form:

Board of Education of the
Poway Unified School District
15250 Avenue of Science
San Diego, CA 92128

Re: $105,000,149.70 General Obligation Bonds of School Facilities Improvement District No. 2007-1 of the Poway Unified School District, 2008 Election, Series B
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 $105,000,149.70 principal amount of General Obligation Bonds of School Facilities Improvement District No. 2007-1 of the Poway Unified School District, 2008 Election, Series B ("Bonds"). The Bonds are being issued pursuant to the Resolution of the Board of Education of the District, adopted on October 11, 2010 (Resolution No. 21-2011), as supplemented ("District Resolution"), and a resolution (Resolution No. 10-213) adopted by the Board of Supervisors of the County of San Diego ("County"), adopted on December 7, 2010 ("County Resolution" and with the District Resolution, the "Bond Resolution"), which Bond Resolution was adopted in accordance with the provisions of the California Constitution, the statutory authority set forth in Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the State of California Government Code, commencing with Section 53506 and pursuant to California Education Code Sections 15300 *et seq*. and 15350 *et seq.*, and in accordance with the statutory authority set forth in California Education Code Sections 15264, 15266(b), and, as applicable, the provisions of Title 1, Division 1, Part 10, Chapters 1 and 2 of the California Education Code, commencing with Section 15100.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the District, the County and the underwriter of the Bonds, including certificates as to factual matters, including, but not limited to the Tax Certificate, as we have deemed necessary to render this opinion. We have also examined that certain Judgment of the Superior Court of the County of San Diego, entered on March 2, 2011, in Case No. 37-2010-00106255-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, the Improvement 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 the effect on any Bond or the interest thereon if any such change occurs 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 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. We note that interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations; although, 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 August 1, 2011, 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 this Disclosure Agreement in connection with the issuance of $105,000,149.70 aggregate principal amount General Obligation Bonds of School Facilities Improvement District No. 2007-1 of the Poway Unified School District, 2008 Election, Series B (the "Series B Bonds");

W I T N E S S E T H :

WHEREAS, pursuant to the Resolution (Resolution No. 21-2011) of the Board of Education of the School District adopted on October 11, 2010 (the "School District Resolution"), as supplemented, and the Resolution (Resolution No. 10-213) of the Board of Supervisors of San Diego County adopted on December 7, 2010 (the "County Resolution," and together with the School District Resolution, the "Resolutions"), the School District has, through the County, issued the Series B Bonds; and

WHEREAS, the Series B 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 this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the School District for the benefit of the owners and beneficial owners of the Series B Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (as defined below).

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 Superintendent 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 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.

"EMMA System" shall mean the Electronic Municipal Market Access System of the MSRB or such other electronic system designated by the MSRB (as defined below) or the Securities Exchange Commission (the "S.E.C.") for compliance with S.E.C. Rule 15c2-12(b).

"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.

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Participating Underwriter" shall mean Stone & Youngberg LLC.

"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.

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, 2012, provide to the MSRB through the EMMA System in an electronic format and accompanied by identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to the Annual Report 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 Annual Report Date 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(e). If the Dissemination Agent has not received a copy of the Annual Report on or before 15 business days prior to the Annual Report Date 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.

(b) If the School District is unable to provide to the MSRB through the EMMA System an Annual Report by the Annual Report Date, the Dissemination Agent shall send a notice to the MSRB through the EMMA System, the School District in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the electronic filing requirements of the MSRB for the Annual Report;

(ii) provide any Annual Report received by it to the MSRB through the EMMA System 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 certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

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 B Bonds, any parity bonds and any refunding bonds issued on behalf of 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 B Bonds, and any general obligation bonds or 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 any fund, account or subaccount thereunder, if any, as of a date within 45 days preceding the date of the Annual Report related to the Series B Bonds not referenced in clauses (i), (iii) or (iv) hereof;

(vi) A statement as to whether or not the County includes the tax levy for payment of the Series B 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 the MSRB through the EMMA System 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 in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Series B Bonds and any refunding bonds:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

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

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

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

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

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

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;[1]

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

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Dissemination Agent shall, within three 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), (xi), (xii), (xiii) and (xiv) 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 so as to satisfy the notice requirements of Section 5(a), the School District shall notify the Dissemination Agent in writing of the occurrence of any of the Listed Events. 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 MSRB through the EMMA System.

(d) If the School District determines that a Listed Event subject to a materiality requirement referenced in clauses (a), (ii), (vii), (viii), (x), (xiii) or (xiv) 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 and has received a notice of the occurrence in a format suitable for filing with the MSRB, the Dissemination Agent shall file a notice of such occurrence with the MSRB through the EMMA System and shall provide a copy of such notice to the Participating Underwriter.

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

Section 6. Termination of Reporting Obligation. All of the School District's obligations hereunder shall terminate upon the earliest to occur of (i) the legal defeasance of the Series B Bonds, (ii) prior redemption of the Series B Bonds or (iii) payment in full of all the Series B Bonds. If such determination occurs prior to the final maturity of the Series B 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. Dissemination Agent. 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. 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 B 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 B 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 B 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 B 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 MSRB through the EMMA System 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, any owner or beneficial owner of the Series B 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 Dissemination Agent shall have no responsibility for the preparation, review, form or content of any Annual Report or any notice of a Listed Event. 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 B Bonds shall be third party beneficiaries under this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the School District, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the Series B 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 15250 Avenue of Science San Diego, California 92128-3406 Telephone: (858) 679-2501 Telecopier: (858) 513-0967 Attention: Superintendent
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

provided however, that all such notices, requests or other communications may be made by telephone and promptly confirmed by writing. The parties may, by notice given as aforesaid, specify a different address for any such notices, requests or other communications.

Section 14. Future Determination of Obligated Persons. 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. Severability. 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. State of California Law Governs. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

Section 17. Counterparts. 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 MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE 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 B
Date of Issuance:	August ___, 2011

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 August 1, 2011, 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

SAN DIEGO COUNTY TREASURY POOL

The following information concerning the Treasury Pool of San Diego County (the "Treasury Pool" or the "Pool") has been provided by the Treasurer-Tax Collector of the County (the "County Treasurer") and has not been confirmed or verified by the School District or the Underwriter. 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. County of San Diego County Investment Pool general information and portfolio statistics can be found at http://www.sdtreastax.com/investment-results.html (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement).

In accordance with California Government Code Section 53600 *et seq*., the County Treasurer manages funds deposited with it by the School District. The County is required to invest such funds in accordance with California Government Code Sections 53635 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the California Government Code. All investments in the County Treasurer's investment portfolio conform to the statutory requirements of California Government Code Section 53635 *et seq*., authorities delegated by the County Board of Supervisors (the "Board of Supervisors") and the County Treasurer's investment policy.

General

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

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

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

The Treasury Pool's Portfolio

As of June 30, 2011, the securities in the Treasury Pool had a market value of $5,856,303,122 and a book value of $5,836,902,268, for a net unrealized gain of $19,400,854.

The effective duration for the Treasury Pool was 0.670 years as of June 30, 2011. "Duration" is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. A duration of 0.670 means that for every one percent increase in interest rates the market value of the portfolio would decrease by 0.670%.

As of June 30, 2011, approximately 8.07% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 11.21% by community college districts, 38.05% by the County, 6.04% by Non-County entities and 36.63% by K-12 school districts.

Standard & Poor's Ratings Group maintains ratings of "AAAf" (extremely strong protection against losses and credit defaults) and "S1" (low sensitivity to changing market conditions) on the Pool. The ratings reflect only the view of the rating agency and any explanation of the significance of such ratings may be obtained from such rating agency as follows: Standard & Poor's Rating Services, a Division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041.

Investments of the Treasury Pool

Authorized Investments. Investments of the Pool are placed in those securities authorized by various sections of the California Government Code, which include obligations of the United States Treasury, agencies of the United States Government, local and State bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), and asset backed (including mortgage related) and pass-through securities.

Generally, investments repurchase agreements cannot exceed a term of one year and the security underlying the agreement shall be valued at 102% or greater of the funds borrowed against the security and the value of the repurchase agreement shall be adjusted no less than quarterly. In addition, reverse repurchase agreements generally may not exceed 20% of the base value of the portfolio and the term of the agreement may not exceed 92 days.

Securities lending transactions are considered reverse repurchase agreements for purposes of this limitation. "Base Value" is defined as the total cash balance excluding any amounts borrowed (*i.e.*, amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods).

Legislation which would modify the currently authorized investments and place restrictions on the ability of municipalities to invest in various securities is considered from time to time by the California State Legislature. At all times, the Pool's investments will comply with California Government Code and the County's Investment Policy (the "Investment Policy").

The Investment Policy. The Investment Policy currently states the primary goals of the County Treasurer when investing public funds to be as follows: the primary objective is to safeguard the principal of the funds under the County Treasurer's control, the secondary objective is to meet the liquidity needs of the Pool Participants and the third objective is to achieve an investment return on the funds under the control of the County Treasurer within the parameters of prudent risk management. The Investment Policy contains a goal that 50% of the Pool should be invested in securities maturing in one year or less, with the remainder of the portfolio being invested in debt securities with maturities spread over more than one year to five years. Furthermore, at least 25% of the securities must mature within 90 days. The maximum effective duration for the Pool shall be 1.50 years.

With respect to reverse repurchase agreements, the Investment Policy provides for a maximum maturity of 92 days (unless the reverse repurchase agreement includes a written guarantee of a minimum earning or spread for the entire period of such agreement) and a limitation on the total amount of reverse repurchase agreements and/or securities lending agreements to 20% of the total investments in the Pool. The Investment Policy states that the uses of reverse repurchase agreements shall be to invest the proceeds from the agreement into permissible securities that have the highest short-term credit ratings; to supplement the yield on securities owned by the Pool; or to provide funds for the immediate payment of an obligation. The maturity of the reverse repurchase agreement and the maturity of the security purchased shall be the same.

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 simultaneous 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 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.

The Investment Policy also authorizes investments in covered call options and put options, which are options that the County Treasurer sells to a third party the right to buy an existing security in the Pool or sell a security to the Pool, both at a specific price within a specific time period. 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 written against them at any given time.

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 vehicles 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 60 days.

Certain Information Relating to the Pool

The following table reflects information with respect to the Pool as of the close of business, June 30, 2011. As described above, a wide range of investments is authorized by State law. Therefore, there can be no assurances that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described below. In addition, the values specified in the following table 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 June 30, 2011, the Pool necessarily would have received the values specified.

TREASURER–TAX COLLECTOR OF THE COUNTY OF SAN DIEGO PORTFOLIO STATISTICS as of June 30, 2011

	Percent of Portfolio	Book Value	Market Price	Accrued Interest	Market Value	Net Unrealized Gain/(Loss)	Yield to Maturity	Weighted Average Days to Maturity
US Treasury Notes	4.85%	$275,417,160	102.37%	$2,007,722	$284,271,075	$8,853,915	2.91%	647
FNMA Discount Notes	6.52	382,085,969	99.92	0	381,941,279	(144,690)	0.15	100
Federal Farm Credit Bank Notes	4.68	272,672,423	100.42	754,154	274,075,418	1,402,995	1.31	942
Federal Farm Credit Bank Disc Notes	8.44	494,731,139	99.83	0	494,167,765	(563,374)	0.24	78
Federal Home Loan Bank Notes	9.47	550,691,972	101.38	2,897,397	554,344,838	3,652,866	1.65	936
Federal Home Loan Mortg. Corp. Disc Notes	9.90	579,783,181	99.91	0	579,487,115	(296,066)	0.16	99
Federal Home Loan Mortg. Corp. Notes	5.04	292,432,740	102.36	2,488,583	295,190,189	2,757,449	1.69	993
Fannie Mae	17.52	1,022,821,140	100.87	6,814,273	1,025,977,723	3,156,583	1.69	1,010
Corporate Medium Term Notes	0.44	25,177,925	103.08	476,320	25,769,550	591,625	4.04	237
Bond Fund	0.60	35,000,000	100.40	37,342	35,140,140	140,140	0.53	577
Money Market Funds	1.00	58,585,000	100.00	4,480	58,585,000	0	0.01	17
Repurchase Agreements	0.01	773,722	100.00	1	773,722	0	0.05	1
Negotiable Certificates of Deposit	6.49	380,000,000	100.00	24,311	380,000,000	0	0.12	29
Commercial Paper	24.10	1,411,568,897	99.98	0	1,411,418,308	(150,589)	0.12	17
Collateralized/FDIC Certificates of Deposit	0.94	55,161,000	100.00	10,435	55,161,000	0	0.38	169
Totals for June 2011	100.00%	$5,836,902,268	100.56%	$15,515,018	$5,856,303,122	$19,400,854	0.84%	425
Total for May 2011	100.00%	$6,407,273,002	100.57%	$16,776,905	$6,430,136,790	$22,863,788	0.81%	405
Change From Prior Month		($570,370,734)	(0.01%)	($1,261,887)	($573,833,668)	($3,462,934)	0.03%	20
Portfolio Effective Duration		0.670 Years						

	June Return	Annualized	Fiscal Year To Date Return	Annualized	Calendar Year To Date Return	Annualized
Book Value	0.055%	0.671%	0.055%	0.671%	0.399%	0.687%
Market Value	0.051%	0.616%	0.051%	0.616%	0.368%	0.633%

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

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.

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APPENDIX F

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series B Bonds, payment of Maturity Value and Accreted Value as of a mandatory sinking fund redemption of the Series B Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Series B Bonds, confirmation and transfer of beneficial ownership interests in the Series B Bonds and other Bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Series B 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 B Bonds. The Series B 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 B Bond will be issued for each maturity of the Series B Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of 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 B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series B 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 B 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 B Bonds, except in the event that use of the book-entry system for the Series B Bonds is discontinued.

To facilitate subsequent transfers, all Series B 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 B 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 B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series B 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 B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series B Bonds documents. For example, Beneficial Owners of the Series B Bonds may wish to ascertain that the nominee holding the Series B 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.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series B 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 B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Maturity Value and redemption price of and interest payments on the Series B 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 Maturity Value and Accreted Value as of a mandatory sinking fund redemption and interest 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 B 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 B 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 B 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 B 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 B 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 B Bonds, then the Series B Bonds shall no longer be restricted to being registered in the 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 B Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Series B Bonds will be made available in physical form, (ii) Maturity Value and Accreted Value as of a mandatory sinking fund redemption of and redemption premiums if any, on the Series B Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolution, and (iii) the Series B 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 B 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 Maturity Value and Accreted Value as of a mandatory sinking fund redemption of, redemption price of the Series B Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolution; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Series B Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the Series B 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 Maturity Value and Accreted Value as of a mandatory sinking fund redemption) of the Series B 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 B Bonds or any error or delay relating thereto.

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APPENDIX G

ACCRETED VALUES TABLE
(Values Per $5,000 Maturity Value)

CAPITAL APPRECIATION SERIES B BONDS

Date	CAB Bond 08/01/2033 7.11%	CAB Bond 08/01/2034 7.20%	CAB Bond 08/01/2035 7.23%	CAB Bond 08/01/2036 7.30%	CAB Bond 08/01/2037 7.30%	CAB Bond 08/01/2038 7.30%	CAB Bond 08/01/2039 7.30%	CAB Bond 08/01/2040 7.34%	CAB Bond 08/01/2041 7.40%	CAB Bond 08/01/2046 7.64%	CAB Bond 08/01/2051 8.0%
8/11/2011	1,077.15	984.60	911.00	834.35	776.65	722.90	672.90	619.35	566.35	363.20	217.35
2/1/2012	1,113.30	1,018.05	942.10	863.10	803.40	747.80	696.05	640.80	586.15	376.30	225.55
8/1/2012	1,152.85	1,054.70	976.15	894.60	832.70	775.10	721.45	664.30	607.85	390.70	234.60
2/1/2013	1,193.85	1,092.65	1,011.45	927.25	863.10	803.40	747.80	688.70	630.30	405.60	244.00
8/1/2013	1,236.30	1,132.00	1,048.00	961.10	894.60	832.70	775.10	714.00	653.65	421.10	253.75
2/1/2014	1,280.25	1,172.75	1,085.90	996.20	927.25	863.10	803.40	740.20	677.85	437.20	263.90
8/1/2014	1,325.75	1,215.00	1,125.15	1,032.55	961.10	894.60	832.70	767.35	702.90	453.90	274.45
2/1/2015	1,372.90	1,258.75	1,165.80	1,070.25	996.20	927.25	863.10	795.50	728.90	471.25	285.45
8/1/2015	1,421.70	1,304.05	1,207.95	1,109.30	1,032.55	961.10	894.60	824.70	755.90	489.25	296.85
2/1/2016	1,472.25	1,351.00	1,251.65	1,149.80	1,070.25	996.20	927.25	855.00	783.85	507.95	308.70
8/1/2016	1,524.55	1,399.60	1,296.90	1,191.75	1,109.30	1,032.55	961.10	886.35	812.85	527.35	321.05
2/1/2017	1,578.75	1,450.00	1,343.75	1,235.25	1,149.80	1,070.25	996.20	918.90	842.95	547.50	333.90
8/1/2017	1,634.90	1,502.20	1,392.35	1,280.35	1,191.75	1,109.30	1,032.55	952.60	874.15	568.40	347.25
2/1/2018	1,693.00	1,556.30	1,442.70	1,327.10	1,235.25	1,149.80	1,070.25	987.55	906.50	590.10	361.15
8/1/2018	1,753.20	1,612.30	1,494.85	1,375.50	1,280.35	1,191.75	1,109.30	1,023.80	940.00	612.65	375.60
2/1/2019	1,815.55	1,670.35	1,548.85	1,425.75	1,327.10	1,235.25	1,149.80	1,061.40	974.80	636.05	390.65
8/1/2019	1,880.05	1,730.50	1,604.85	1,477.75	1,375.50	1,280.35	1,191.75	1,100.35	1,010.85	660.35	406.25
2/1/2020	1,946.90	1,792.80	1,662.90	1,531.70	1,425.75	1,327.10	1,235.25	1,140.75	1,048.25	685.60	422.50
8/1/2020	2,016.10	1,857.35	1,723.00	1,587.60	1,477.75	1,375.50	1,280.35	1,182.60	1,087.05	711.75	439.40
2/1/2021	2,087.80	1,924.20	1,785.30	1,645.55	1,531.70	1,425.75	1,327.10	1,226.00	1,127.30	738.95	457.00
8/1/2021	2,162.00	1,993.50	1,849.80	1,705.65	1,587.60	1,477.75	1,375.50	1,271.00	1,169.00	767.20	475.30
2/1/2022	2,238.90	2,065.25	1,916.70	1,767.90	1,645.55	1,531.70	1,425.75	1,317.65	1,212.25	796.50	494.30
8/1/2022	2,318.45	2,139.60	1,986.00	1,832.40	1,705.65	1,587.60	1,477.75	1,366.00	1,257.10	826.95	514.05
2/1/2023	2,400.90	2,216.60	2,057.80	1,899.30	1,767.90	1,645.55	1,531.70	1,416.15	1,303.60	858.50	534.65

Date	CAB Bond 08/01/2033 7.11%	CAB Bond 08/01/2034 7.20%	CAB Bond 08/01/2035 7.23%	CAB Bond 08/01/2036 7.30%	CAB Bond 08/01/2037 7.30%	CAB Bond 08/01/2038 7.30%	CAB Bond 08/01/2039 7.30%	CAB Bond 08/01/2040 7.34%	CAB Bond 08/01/2041 7.40%	CAB Bond 08/01/2046 7.64%	CAB Bond 08/01/2051 8.0%
8/1/2023	2,486.25	2,296.40	2,132.15	1,968.60	1,832.40	1,705.65	1,587.60	1,468.10	1,351.85	891.30	556.00
2/1/2024	2,574.65	2,379.10	2,209.25	2,040.50	1,899.30	1,767.90	1,645.55	1,522.00	1,401.85	925.35	578.25
8/1/2024	2,666.15	2,464.75	2,289.10	2,114.95	1,968.60	1,832.40	1,705.65	1,577.85	1,453.75	960.70	601.40
2/1/2025	2,760.95	2,553.45	2,371.85	2,192.15	2,040.50	1,899.30	1,767.90	1,635.75	1,507.50	997.40	625.45
8/1/2025	2,859.10	2,645.40	2,457.60	2,272.15	2,114.95	1,968.60	1,832.40	1,695.80	1,563.30	1,035.50	650.45
2/1/2026	2,960.75	2,740.65	2,546.45	2,355.10	2,192.15	2,040.50	1,899.30	1,758.00	1,621.15	1,075.05	676.50
8/1/2026	3,066.00	2,839.30	2,638.50	2,441.05	2,272.15	2,114.95	1,968.60	1,822.55	1,681.15	1,116.15	703.55
2/1/2027	3,175.00	2,941.50	2,733.90	2,530.15	2,355.10	2,192.15	2,040.50	1,889.45	1,743.35	1,158.80	731.70
8/1/2027	3,287.85	3,047.40	2,832.70	2,622.50	2,441.05	2,272.15	2,114.95	1,958.75	1,807.85	1,203.05	760.95
2/1/2028	3,404.75	3,157.10	2,935.15	2,718.25	2,530.15	2,355.10	2,192.15	2,030.65	1,874.75	1,249.00	791.40
8/1/2028	3,525.80	3,270.75	3,041.25	2,817.45	2,622.50	2,441.05	2,272.15	2,105.20	1,944.10	1,296.70	823.05
2/1/2029	3,651.15	3,388.50	3,151.15	2,920.30	2,718.25	2,530.15	2,355.10	2,182.45	2,016.00	1,346.25	855.95
8/1/2029	3,780.95	3,510.50	3,265.10	3,026.90	2,817.45	2,622.50	2,441.05	2,262.55	2,090.60	1,397.70	890.20
2/1/2030	3,915.35	3,636.90	3,383.10	3,137.35	2,920.30	2,718.25	2,530.15	2,345.60	2,167.95	1,451.05	925.80
8/1/2030	4,054.55	3,767.80	3,505.40	3,251.90	3,026.90	2,817.45	2,622.50	2,431.65	2,248.20	1,506.50	962.85
2/1/2031	4,198.65	3,903.45	3,632.15	3,370.60	3,137.35	2,920.30	2,718.25	2,520.90	2,331.35	1,564.05	1,001.35
8/1/2031	4,347.95	4,044.00	3,763.45	3,493.60	3,251.90	3,026.90	2,817.45	2,613.45	2,417.65	1,623.80	1,041.40
2/1/2032	4,502.50	4,189.55	3,899.50	3,621.10	3,370.60	3,137.35	2,920.30	2,709.35	2,507.10	1,685.85	1,083.10
8/1/2032	4,662.55	4,340.40	4,040.45	3,753.30	3,493.60	3,251.90	3,026.90	2,808.75	2,599.85	1,750.25	1,126.40
2/1/2033	4,828.35	4,496.65	4,186.55	3,890.30	3,621.10	3,370.60	3,137.35	2,911.85	2,696.05	1,817.10	1,171.45
8/1/2033	5,000.00	4,658.50	4,337.85	4,032.30	3,753.30	3,493.60	3,251.90	3,018.70	2,795.80	1,886.50	1,218.30
2/1/2034		4,826.25	4,494.70	4,179.45	3,890.30	3,621.10	3,370.60	3,129.50	2,899.25	1,958.55	1,267.05
8/1/2034		5,000.00	4,657.15	4,332.00	4,032.30	3,753.30	3,493.60	3,244.35	3,006.50	2,033.40	1,317.75
2/1/2035			4,825.55	4,490.15	4,179.45	3,890.30	3,621.10	3,363.45	3,117.75	2,111.05	1,370.45
8/1/2035			5,000.00	4,654.05	4,332.00	4,032.30	3,753.30	3,486.85	3,233.10	2,191.70	1,425.25
2/1/2036				4,823.90	4,490.15	4,179.45	3,890.30	3,614.85	3,352.75	2,275.45	1,482.30
8/1/2036				5,000.00	4,654.05	4,332.00	4,032.30	3,747.50	3,476.80	2,362.35	1,541.55
2/1/2037					4,823.90	4,490.15	4,179.45	3,885.05	3,605.45	2,452.60	1,603.25
8/1/2037					5,000.00	4,654.05	4,332.00	4,027.60	3,738.85	2,546.30	1,667.35
2/1/2038						4,823.90	4,490.15	4,175.45	3,877.20	2,643.55	1,734.05
8/1/2038						5,000.00	4,654.05	4,328.70	4,020.65	2,744.55	1,803.40

Date	CAB Bond 08/01/2033 7.11%	CAB Bond 08/01/2034 7.20%	CAB Bond 08/01/2035 7.23%	CAB Bond 08/01/2036 7.30%	CAB Bond 08/01/2037 7.30%	CAB Bond 08/01/2038 7.30%	CAB Bond 08/01/2039 7.30%	CAB Bond 08/01/2040 7.34%	CAB Bond 08/01/2041 7.40%	CAB Bond 08/01/2046 7.64%	CAB Bond 08/01/2051 8.0%
2/1/2039							4,823.90	4,487.55	4,169.40	2,849.40	1,875.55
8/1/2039							5,000.00	4,652.25	4,323.65	2,958.25	1,950.60
2/1/2040								4,822.95	4,483.65	3,071.25	2,028.60
8/1/2040								5,000.00	4,649.55	3,188.55	2,109.75
2/1/2041									4,821.60	3,310.35	2,194.15
8/1/2041									5,000.00	3,436.80	2,281.90
2/1/2042										3,568.10	2,373.20
8/1/2042										3,704.40	2,468.10
2/1/2043										3,845.90	2,566.85
8/1/2043										3,992.85	2,669.50
2/1/2044										4,145.35	2,776.30
8/1/2044										4,303.70	2,887.35
2/1/2045										4,468.10	3,002.85
8/1/2045										4,638.80	3,122.95
2/1/2046										4,816.00	3,247.90
8/1/2046										5,000.00	3,377.80
2/1/2047											3,512.90
8/1/2047											3,653.45
2/1/2048											3,799.55
8/1/2048											3,951.55
2/1/2049											4,109.60
8/1/2049											4,274.00
2/1/2050											4,444.95
8/1/2050											4,622.75
2/1/2051											4,807.65
8/1/2051											5,000.00

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