

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Special Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the portion of each Lease Payment constituting interest (and original issue discount) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Special Counsel, the portion of each Lease Payment constituting interest (and original issue discount) is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Certificates.

\$41,805,000

CARLSBAD UNIFIED SCHOOL DISTRICT
Certificates of Participation
(2016 Refunding and School Financing Projects)
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
Made by the
CARLSBAD UNIFIED SCHOOL DISTRICT

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

This cover page contains information for general reference only. It is not a complete summary of the Certificates or the Lease. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates. Capitalized terms used but not otherwise defined on the cover page hereof shall have the meanings assigned herein.

The Carlsbad Unified School District Certificates of Participation (2016 Refunding and Financing Projects) (the "Certificates"), are being executed and delivered pursuant to a Trust Agreement, dated as of November 1, 2016 (the "Trust Agreement"), by and among U.S. Bank National Association, as trustee, the Carlsbad Unified School District Educational Facilities Corporation (the "Corporation") and the Carlsbad Unified School District (the "District"). The proceeds of the Certificates will be used to (i) refund the District's Prior Certificates (as defined herein) (ii) finance improvements to District sites and facilities, and (iii) pay the costs related to the execution and delivery of the Certificates.

Pursuant to a Site Lease, dated as of November 1, 2016, the District will lease certain real property of the District and the school facilities located thereon as further described herein (the "Property"), to the Corporation, and will lease the Property back from the Corporation pursuant to a Lease/Purchase Agreement, dated as of November 1, 2016 (the "Lease"), by and between the Corporation and the District. The Certificates evidence fractional interests in Lease Payments to be made by the District, as lessee under the Lease, for use and possession of the Property. The District has covenanted to budget and appropriate Lease Payments in each fiscal year in consideration of the use and occupancy of the Property from any source of legally available funds, and to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations therefor. **The District's obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property.**

The Certificates will be delivered in book-entry form only, and will be initially delivered 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 Certificates (the "Beneficial Owners") will not receive physical certificates representing their interest in the Certificates. The Certificates shall be dated their date of delivery and shall represent interest payable semiannually on each April 1 and October 1, commencing April 1, 2017. The Certificates shall be delivered in denominations of \$5,000 principal amount or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates.

The Certificates are subject to extraordinary prepayment and optional prepayment prior to their stated maturity dates as further described herein.

The obligation of the District to make Lease Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The obligation of the District to make Lease Payments is subject to the District's beneficial use and possession of the Property.

MATURITY SCHEDULE

(see inside front cover)

The Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval as to legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Special Counsel and Disclosure Counsel. Certain matters will be passed on for the Underwriter by Katten Muchin Roseman LLP, New York, New York and for the Trustee by its counsel. It is anticipated that the Certificates in book-entry form will be available for delivery to The Depository Trust Company in New York, New York on or about November 10, 2016.

BofA Merrill Lynch

MATURITY SCHEDULE

Base CUSIP⁽¹⁾: 142666

\$41,805,000
Carlsbad Unified School District
Certificates of Participation
(2016 Refunding and School Financing Projects)

\$41,805,000 Serial Certificates

<u>Maturity (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
2017	\$1,700,000	4.000%	0.930%	DS2
2018	1,565,000	5.000	1.040	DT0
2019	1,640,000	5.000	1.120	DU7
2020	1,725,000	5.000	1.190	DV5
2021	1,810,000	5.000	1.300	DW3
2022	1,895,000	5.000	1.400	DX1
2023	2,000,000	5.000	1.540	DY9
2024	2,095,000	5.000	1.670	DZ6
2025	2,205,000	5.000	1.830	EA0
2026	2,315,000	5.000	1.980	EB8
2027	2,425,000	5.000	2.130 ⁽²⁾	EC6
2028	2,550,000	5.000	2.260 ⁽²⁾	ED4
2029	2,680,000	4.000	2.540 ⁽²⁾	EE2
2030	2,760,000	4.000	2.660 ⁽²⁾	EF9
2031	2,790,000	4.000	2.770 ⁽²⁾	EG7
2032	2,475,000	4.000	2.880 ⁽²⁾	EH5
2033	2,310,000	4.000	2.930 ⁽²⁾	EJ1
2034	1,980,000	3.000	3.180	EK8
2035	1,550,000	3.000	3.230	EL6
2036	1,335,000	3.125	3.270	EM4

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Financial Advisor or the District is responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Financial Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Certificates. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

⁽²⁾ Yield to call at par on October 1, 2026.

Certain of the information contained herein, other than that provided by the District, has been obtained from sources that are believed to be reliable. No representation, warranty or guarantee, however, is made by the Underwriter as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the Appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriter.

No dealer, broker, salesperson or other person has been authorized by the District, the Corporation or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Certificates shall under any circumstances create any implication that there has been no change in the affairs of the District, the Corporation or other matters described herein since the date hereof.

This Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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

The Underwriter has provided the following sentence for inclusion in this Official Statement:

“The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or the completeness of such information.”

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

The District maintains a website. However, the information presented on the District’s website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Certificates.

CARLSBAD UNIFIED SCHOOL DISTRICT

Board of Trustees

Claudine Jones, President
Elisa Williamson, Vice President
Ray Pearson, Clerk
Kathy Rallings, Member
Veronica Williams, Member

District Administration

Benjamin Churchill Ed.D., Superintendent
Suzanne O'Connell, Deputy Superintendent, Administrative Services
Nancy Navarro, Director of Fiscal Services

SPECIAL COUNSEL AND DISCLOSURE COUNSEL

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

FINANCIAL ADVISOR

Piper Jaffray & Co.
El Segundo, California

TRUSTEE AND ESCROW AGENT

U.S. Bank National Association
St. Paul, Minnesota

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
THE DISTRICT	1
PURPOSE OF THE CERTIFICATES	2
SECURITY AND SOURCE OF PAYMENT OF THE CERTIFICATES	2
DESCRIPTION OF THE CERTIFICATES	3
CONTINUING DISCLOSURE	4
PROFESSIONALS INVOLVED IN THE OFFERING	4
CERTIFICATE OWNERS' RISKS	4
FORWARD LOOKING STATEMENTS.....	4
OTHER INFORMATION	5
THE PROJECT AND REFUNDING PLAN	6
THE PROPERTY	6
THE CERTIFICATES	7
GENERAL	7
PREPAYMENT	8
PREPAYMENT PROCEDURES.....	8
ADDITIONAL CERTIFICATES	10
SEMI-ANNUAL CERTIFICATE PAYMENT SCHEDULES	10
SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES.....	11
GENERAL	12
LEASE PAYMENTS	12
ADDITIONAL PAYMENTS	13
INSURANCE	13
ESTIMATED SOURCES AND USES OF PROCEEDS	14
RISK FACTORS	14
GENERAL CONSIDERATIONS –SECURITY FOR THE CERTIFICATES	14
CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAXES AND APPROPRIATIONS	15
ABATEMENT	15
ABSENCE OF EARTHQUAKE INSURANCE	15
OTHER LIMITATIONS ON LIABILITY	16
NO ACCELERATION UPON DEFAULT	16
LIMITED RECOURSE ON DEFAULT	16
SUBSTITUTION OF PROPERTY	17
PROPERTY VALUES	17
THE CORPORATION.....	17
DISTRICT FINANCIAL MATTERS.....	18
STATE FUNDING OF EDUCATION	18
OTHER REVENUE SOURCES	22
DISSOLUTION OF REDEVELOPMENT AGENCIES.....	23
STATE BUDGET MEASURES	25
INVESTMENT OF DISTRICT FUNDS.....	27
ACCOUNTING PRACTICES	27
COMPARATIVE FINANCIAL STATEMENTS	28
BUDGET PROCESS	30
DISTRICT DEBT STRUCTURE	33
AD VALOREM PROPERTY TAXATION.....	39
ASSESSED VALUATIONS	40
ALTERNATIVE METHOD OF TAX APPORTIONMENT	41

TABLE OF CONTENTS

	<u>Page</u>
STATEMENT OF DIRECT AND OVERLAPPING DEBT	41
CARLSBAD UNIFIED SCHOOL DISTRICT	44
INTRODUCTION	44
ADMINISTRATION.....	44
ENROLLMENT.....	45
LABOR RELATIONS.....	45
DISTRICT RETIREMENT SYSTEMS.....	46
OTHER POST-EMPLOYMENT BENEFITS	51
RISK MANAGEMENT.....	52
CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAXES AND APPROPRIATIONS.....	53
ARTICLE XIII A OF THE CALIFORNIA CONSTITUTION.....	53
LEGISLATION IMPLEMENTING ARTICLE XIII A.....	53
UNITARY PROPERTY	54
ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION.....	54
ARTICLE XIII C AND ARTICLE XIII D OF THE CALIFORNIA CONSTITUTION.....	55
PROPOSITION 26.....	55
PROPOSITIONS 98 AND 111.....	56
JARVIS V. CONNELL	58
PROPOSITION 1A AND PROPOSITION 22	58
PROPOSITION 30.....	59
PROPOSITION 2.....	60
FUTURE INITIATIVES	61
TAX MATTERS	61
CERTAIN LEGAL MATTERS	63
ENHANCED REPORTING REQUIREMENTS	63
FINANCIAL STATEMENTS.....	63
ESCROW VERIFICATION.....	64
CONTINUING DISCLOSURE	64
ABSENCE OF MATERIAL LITIGATION.....	65
RATING	65
UNDERWRITING	65
MISCELLANEOUS	66

TABLE OF CONTENTS

APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS	A-1
APPENDIX B – PROPOSED FORM OF OPINION OF SPECIAL COUNSEL FOR THE CERTIFICATES	B-1
APPENDIX C – 2014-15 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT.....	C-1
APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE	D-1
APPENDIX E – BOOK-ENTRY ONLY SYSTEM	E-1
APPENDIX F – ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF CARLSBAD AND SAN DIEGO COUNTY	F-1
APPENDIX G – SAN DIEGO COUNTY INVESTMENT POOL	G-1

[THIS PAGE INTENTIONALLY LEFT BLANK]

\$41,805,000
CARLSBAD UNIFIED SCHOOL DISTRICT
Certificates of Participation
(2016 Refunding and School Financing Projects)

Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
Made by the
CARLSBAD UNIFIED SCHOOL DISTRICT

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, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.

This Official Statement provides certain information concerning the sale and delivery of \$41,805,000 Carlsbad Unified School District Certificates of Participation (2016 Refunding and Financing Projects) (the "Certificates"), evidencing the fractional interests of the Owners thereof (as hereinafter defined) in Lease Payments (as hereinafter defined) to be made by the Carlsbad Unified School District (the "District") pursuant to a Lease/Purchase Agreement, dated as of November 1, 2016 (the "Lease"), by and between the Carlsbad Unified School District Educational Facilities Corporation, as lessor (the "Corporation"), and the District, as lessee, for the use and possession of the real property and school facilities thereon known as Aviara Oaks Middle School, Jefferson Elementary School, Pacific Rim Elementary School and Valley Middle School (the "Property").

The District

The Carlsbad Unified School District (the "District") was established as a unified school district in 1921. The District is located in the northwestern portion of San Diego County (the "County") and encompasses approximately 30.2 square miles. The District provides kindergarten through twelfth grade education services, maintaining nine elementary schools, three middle schools, two high schools, one alternative school and one independent study school. The District's average daily attendance for fiscal year 2016-17 is projected to be 10,635 and the total fiscal year 2016-17 assessed value of property within the District is \$20,996,783,226.

The District is governed by a five-member Board of Trustees (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Benjamin Churchill Ed.D. is the District Superintendent.

Unless otherwise indicated, the financial, statistical and demographic data included has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Carlsbad Unified School District, 6225 El Camino Real, Carlsbad, California 92009, Attention: Superintendent.

For more information regarding the District, see also “CARLSBAD UNIFIED SCHOOL DISTRICT” and “DISTRICT FINANCIAL MATTERS” herein. The District’s audited financial statements for the fiscal year ended June 30, 2015 are attached hereto as Appendix C and should be read in their entirety. The discussion of the District’s financial history and the financial information contained herein does not purport to be complete or definitive.

Purpose of the Certificates

The proceeds of the Certificates will be used to (i) refund the District’s Certificates of Participation (Refunding Project) 2009 Series A (the “Prior Certificates”), (ii) finance improvements to District sites and facilities, and (iii) pay the costs related to the execution and delivery of the Certificates. The portions of the Prior Certificates to be refunded from proceeds of the Certificates are also referred to herein as the “Refunded Certificates.” See “THE PROJECT AND REFUNDING PLAN” and “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

Security and Source of Payment of the Certificates

The Certificates are being executed and delivered pursuant to a Trust Agreement (the “Trust Agreement”), dated as of November 1, 2016, by and among the District, the Corporation and U.S. Bank National Association, as trustee (the “Trustee”). The District is required under the Lease to pay Lease Payments for the use and possession of the Property, as further described under the caption “THE PROPERTY” herein. The District is also required to pay any taxes and assessments, and is responsible for all maintenance and repair of the Property.

Pursuant to an Assignment Agreement, dated as of November 1, 2016 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners, substantially all of its rights under the Lease and a Site Lease, dated as of November 1, 2016 (the “Site Lease”), by and between the District and the Corporation, including its rights to receive and collect Lease Payments and prepayments from the District under the Lease and rights as may be necessary to enforce the payment of such Lease Payments and prepayments. All rights assigned by the Corporation pursuant to the Assignment Agreement shall be administered by the Trustee in accordance with the provisions of the Trust Agreement for the equal and proportionate benefit of all Owners.

The Certificates evidence fractional and undivided interests in the right to receive Lease Payments and prepayments thereof to be made by the District to the Corporation under the Lease. The Lease Payments are designed to pay, when due, the principal and interest with respect to the Certificates. The District has covenanted in the Lease that it will take such action as may be necessary to include the Lease Payments and other payments due under the Lease in its annual budgets and to make the necessary annual appropriations therefor. See “SECURITY AND SOURCES OF PAYMENT – Lease Payments” herein. The District’s obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property. See “RISK FACTORS – Abatement” herein.

The obligation of the District to make Lease Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State of California or

any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Description of the Certificates

For a more complete description of the Certificates and the basic documentation pursuant to which they are being sold and delivered, see “THE CERTIFICATES” herein and Appendix A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” attached hereto. The summaries and descriptions in the Official Statement of the Trust Agreement, the Lease, the Site Lease, the Assignment Agreement and other agreements relating to the Certificates are qualified in their entirety by the form thereof and the information with respect thereto included in such documents.

Registration, Transfers and Exchanges. The Certificates will be executed and delivered as fully registered Certificates, 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 interests in the Certificates (the “Beneficial Owners”), under the book-entry 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 Certificates. See Appendix E – “BOOK-ENTRY ONLY SYSTEM” attached hereto. In the event that the book-entry only system described below is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement.

So long as Cede & Co. is the registered owner of the Certificates, as nominee of DTC, references herein to the “Owners” “Certificate Owners” or “Holders” of the Certificates (other than under the caption “TAX MATTERS,” and in APPENDIX B) will mean Cede & Co. and will not mean the Beneficial Owners of interests in the Certificates.

Payments. The Certificates shall be dated as of their date of delivery and shall represent interest therefrom, payable semiannually on each April 1 and October 1, commencing April 1, 2017 (each, a “Certificate Payment Date”). Principal with respect to the Certificates shall be payable on each October 1, in the amounts and years as set forth on the inside cover page hereof.

Principal and interest due with respect to the Certificates are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Certificates, the Beneficial Owners will become the registered Owners of the Certificates and will be paid principal and interest by the Trustee, all as described herein. See Appendix A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” and Appendix E – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

Prepayment. The Certificates are subject to optional prepayment and extraordinary prepayment as further described herein.

Denominations. The Certificates are being executed and delivered in minimum denominations of \$5,000 principal amount, or any integral multiple thereof.

Continuing Disclosure

The District has covenanted for the benefit of the Owners and Beneficial Owners of the Certificates to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District's Fiscal Year (presently ending on June 30) (the "Annual Report"), commencing with the report for the Fiscal Year ending June 30, 2016, and to provide notices of the occurrence of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended. See "CONTINUING DISCLOSURE" herein and Appendix D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

Professionals Involved in the Offering

U.S. Bank National Association, St. Paul, Minnesota, will act as Trustee with respect to the Certificates and as Escrow Agent (defined herein) for the Refunded Certificates. Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Special Counsel and Disclosure Counsel with respect to the Certificates. Piper Jaffray & Co., El Segundo, California is acting as Financial Advisor to the District with respect to the Certificates. Causey, Derggen & Moore P.C., Denver, Colorado is acting as verification agent with respect to the Refunded Certificates. Certain matters will be passed on for the Underwriter (defined herein) by Katten Muchin Roseman LLP, New York, New York, and for the Trustee by its counsel.

Certificate Owners' Risks

Certain events could affect the ability of the District to make the Lease Payments when due. See "RISK FACTORS" herein, for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Certificates.

Forward Looking Statements

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of the Lease, the Site Lease, the Trust Agreement, the Assignment Agreement and the Escrow Agreement are available, upon request, and upon payment to the District of a charge for copying, mailing and handling, from the Deputy Superintendent, Business Services, Carlsbad Unified School District, 6225 El Camino Real, Carlsbad, California 92009, telephone: (760) 331-5000.

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

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

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

This Official Statement contains brief descriptions of, among other things, the District, the Corporation, the Certificates, the Trust Agreement, the Lease, the Assignment Agreement, the Site Lease and the Escrow Agreement and certain other matters relating to the security for the Certificates. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to documents and agreements are qualified in their entirety by reference to such documents, and agreements and references herein to the Certificates are qualified in their entirety by reference to the form thereof included in the Trust Agreement. Copies of such documents will be available for inspection at the principal office of the Trustee after delivery of the Certificates. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Trust Agreement or the Lease.

The sale and delivery of the Certificates to potential investors is made only by means of the Official Statement.

THE PROJECT AND REFUNDING PLAN

The Project. A portion of the net proceeds of the Certificates will be used to finance improvements to District sites and facilities, including but not limited to constructing a performing arts center at Sage Creek High School.

The Refunding Plan. On October 27, 2009, the District executed and delivered the Prior Certificates evidencing principal in an amount equal to \$50,710,000, the net proceeds of which were used to prepay certain lease-purchase obligations of the District. Pursuant to the Trust Agreement, a portion of the net proceeds of the Certificates will be deposited into an escrow fund (the "Escrow Fund"), created pursuant to an escrow agreement (the "Escrow Agreement") by and between the District and U.S. Bank National Association, as escrow agent thereunder (in such capacity, the "Escrow Agent"). A portion of such proceeds will be used to purchase certain non-callable direct and general obligations of the United States of America, the principal of and interest on which will be sufficient, together with the portion of such proceeds deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay (i) the principal and interest with respect to the Refunded Certificates maturing on October 1, 2017 through and including October 1, 2019 (the "Non-callable Refunded Certificates"), as the same shall become due and payable, (ii) the interest with respect to the Refunded Certificates maturing on October 1, 2020 through and including October 1, 2041 (the "Callable Refunded Certificates"), due on and prior to October 1, 2019 (which date represents the first available option prepayment date for the Refunded Certificates and the date on which the District has expressly reserved the right to prepay the Callable Refunded Certificates under to the Escrow Agreement), and (iii) to prepay on such date the outstanding principal with respect to such Callable Refunded Certificates, at a prepayment price of 100% of the principal amount with respect thereto.

The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to pay the prepayment price of the Refunded Certificates will be verified by Causey Demgen & Moore P.C., as Verification Agent. As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Underwriter's and Verification Agent's computations, the obligation of the District to make lease payments with respect to the Refunded Certificates will be terminated.

See also "ESTIMATED SOURCES AND USES OF PROCEEDS" herein.

THE PROPERTY

Pursuant to the Site Lease, the District is leasing the Property to the Corporation and leasing the Property back from the Corporation pursuant to the Lease. The Property consists of the existing sites and school facilities known as Aviara Oaks Middle School, Jefferson Elementary School, Pacific Rim Elementary School and Valley Middle School.

Aviara Oaks Middle School, located at 6880 Ambrosia Lane, Carlsbad, California 92009. Aviara Oaks Middle School was originally constructed in 1998, and modernized during 2015 using proceeds from the sale of general obligation bonds under the 2006 Authorization and CFD funds. The Property accommodates approximately 1,225 students, with a current enrollment of 1,125 students in grades 6 through 8. The site consists of a 29.41-acre site of approximately 87,263 square feet consisting of 6 permanent structures, including 44 classrooms, as well as a library, gymnasium, cafeteria, multipurpose room and administration building. Aviara Oaks Middle School currently has a total estimated insured replacement value of \$16,257,798 (comprised of \$14,137,216 in real property replacement value and \$2,120,582 in personal property replacement value).

Jefferson Elementary School, located at 3743 Jefferson Street, Carlsbad, California 92008. Jefferson Elementary School was originally constructed in 1951, and torn down and rebuilt in 2000 using proceeds from the sale of general obligation bonds under the 2006 Authorization and CFD funds. The Property accommodates approximately 1,023 students, with a current enrollment of 430 students in grades K through 5. The site consists of a 8.21-acre site of approximately 58,257 square feet consisting of 8 permanent structures, including 29 classrooms, as well as a library, cafeteria, multipurpose room and administration building. Jefferson Elementary School currently has a total estimated insured replacement value of \$10,439,376 (comprised of \$9,077,718 in real property replacement value and \$1,361,657 in personal property replacement value).

Pacific Rim Elementary School, located at 1100 Camino de las Ondas, Carlsbad, California 92009. Jefferson Elementary School was originally constructed in 1999, and modernized during 2010 and 2016 using proceeds from the sale of general obligation bonds under the 2006 Authorization and CFD funds. The Property accommodates approximately 1,056 students, with a current enrollment of 825 students in grades K through 5. The site consists of a 10-acre site of approximately 48,244 square feet consisting of 6 permanent structures, including 26 classrooms, as well as a library, cafeteria, multipurpose room and administration building. Jefferson Elementary School currently has a total estimated insured replacement value of \$8,342,730 (comprised of \$7,254,548 in real property replacement value and \$1,088,182 in personal property replacement value).

Valley Middle School, located at 1645 Magnolia Avenue, Carlsbad, California 92008. Valley Middle School was originally constructed in 1966, and modernized during 2009, 2010, and 2015 using proceeds from the sale of general obligation bonds under the 2006 Authorization. The Property accommodates approximately 1,470 students, with a current enrollment of 1,015 students in grades 6 through 8. The site consists of a 20.41-acre site of approximately 102,101 square feet consisting of 9 permanent structures, including 44 classrooms, as well as a library, gymnasium, cafeteria, multipurpose room and administration building. Valley Middle School currently has a total estimated insured replacement value of \$18,394,656 (comprised of \$15,995,353 in real property replacement value and \$2,399,303 in personal property replacement value).

THE CERTIFICATES

General

The Certificates will be executed in the aggregate principal amount of \$41,805,000. The Certificates will be dated the date of delivery (the "Date of Delivery"), and will be executed as fully registered book-entry Certificates, without coupons, in denominations of \$5,000 principal amount or any integral multiple thereof, and will mature on October 1 of each year, as set forth on the inside cover page hereof.

Interest with respect to the Certificates will be payable each Certificate Payment Date, commencing on April 1, 2017, at the rate per annum set forth on the inside cover page hereof. If a Certificate is executed: (i) as of a Certificate Payment Date, interest with respect thereto will be payable from the date thereto; (ii) after the close of business on the sixteenth day of the month preceding each Certificate Payment Date (whether or not a business day) (each, a "Record Date") and before the following Certificate Payment Date, interest with respect thereto will be payable from such following Certificate Payment Date; or (iii) prior to or on March 15, 2017, interest with respect thereto will be payable from the Date of Delivery.

Interest with respect to the Certificates will be computed on the basis of a 360-day year comprised of twelve 30-day months. Owners of Certificates in an aggregate principal amount of \$1,000,000 or more may, by providing written request to the Trustee, receive interest with respect to the Certificates by wire transfer to a bank account within the United States that is on record with the Trustee as of the Record Date.

The Certificates evidence and represent fractional and undivided interests of the Owners thereof in the Lease Payments to be made by the District. To the extent Lease Payments are abated or not made under the Lease, all Certificate Owners will receive a proportionate reduction in their payments. See “RISK FACTORS – Abatement” herein. If the Lease is prepaid in part, for any reason, the Certificate Owner will be entitled only to the remaining Lease Payments.

Principal and premium, if any, with respect to the Certificates will be payable upon surrender by the Owners thereof at the principal office of the Trustee. Interest with respect to the Certificates will be payable by check mailed by first class mail to the Owners of record at the addresses shown on the Certificate registration books maintained by the Trustee for such purpose.

Prepayment

Extraordinary Prepayment. The Certificates are subject to prepayment prior to their respective maturity dates on any day, in whole or in part, from Net Proceeds (see Appendix A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions”) which the Trustee shall deposit in the Prepayment Fund or other moneys deposited with the Trustee as provided in the Lease at least 45 days prior to the date set for such extraordinary prepayment and credited towards the prepayment made by the District pursuant to the Lease, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.

Optional Prepayment. The Certificates evidencing principal maturing on or after October 1, 2027 are subject to optional prepayment prior to their stated maturities, in whole or in part, on any day on or after October 1, 2026, from any lawfully available source of funds in the event the District exercises its option under the Lease to prepay the principal component of the Lease Payments (in integral multiples of \$5,000), at the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium.

Prepayment Procedures

Notice of Prepayment. When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee shall give notice of the prepayment of the Certificates. Such notice shall specify: (a) the prepayment date, (b) the prepayment price, (c) if less than all of the Outstanding Certificates are to be prepaid, the Certificate numbers (and in the case of partial prepayment, the respective principal amounts), (d) the CUSIP numbers of the Certificates to be prepaid, (e) the place or places where the prepayment will be made, (f) the original date of execution and delivery of the Certificates, (g) the rate of interest payable with respect to each Certificate being prepaid, and (h) any other descriptive information regarding the Certificates needed to identify accurately the Certificates being prepaid. Such notice shall further state that on the specified date there shall become due and payable upon each Certificate to be prepaid, the portion of the principal amount of such Certificate to be prepaid, together with interest accrued to said date, and that from and after such date, provided that moneys therefor have been deposited with the Trustee, interest with respect thereto shall cease to accrue and be payable.

The Trustee will take the following actions with respect to each such notice of prepayment: (a) at least 20 but not more than 45 days prior to the prepayment date, such notice will be given to the respective Owners of Certificates designated for prepayment by registered or certified mail, postage prepaid, at their addresses appearing on the bond register maintained by the Trustee; (b) at least 20 but not more than 45 days prior to the prepayment date, such notice will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the prepayment date, such notice will be given by registered or certified mail, postage prepaid, or overnight delivery service, to one of the Information Services, and (d) such notice will be given as may otherwise be required by the Continuing Disclosure Certificate.

“Information Services” the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Trustee or as the Trustee may select.

“Securities Depository” shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

Notice having been given to the Owners of the Certificates as aforesaid, and the moneys for the prepayment (including the interest to the applicable date of prepayment), having been set aside in the Prepayment Fund, the Certificates shall become due and payable on said date of prepayment, and upon presentation and surrender thereof at the Principal Office of the Trustee, said Certificates shall be paid at the prepayment price with respect thereto, plus interest accrued and unpaid to said date of prepayment.

Effect of Notice of Prepayment. If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest to said date of prepayment, shall be held by the Trustee (or such other independent escrow agent as the District shall select) so as to be available therefor on such date of prepayment, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said date of prepayment, interest with respect to the Certificates to be prepaid shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, without liability for interest thereon.

Rescission of Notice of Prepayment. With respect to any notice of prepayment of Certificates, unless upon the giving of such notice such Certificates shall be deemed to have been defeased pursuant to the Trust Agreement, such notice shall state that such prepayment shall be conditional upon the receipt by the Trustee (or an independent escrow agent selected by the District) on or prior to the date fixed for such prepayment of the moneys necessary and sufficient to pay the principal, premium, if any, and interest with respect to such Certificates to be prepaid, and that if such moneys shall not have been so received said notice shall be of no force and effect, the Certificates shall not be subject to prepayment on such date and the Certificates shall not be required to be prepaid on such date. In the event that such notice of prepayment contains such a condition and such moneys are not so received, the prepayment shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the notice of prepayment was given, that such moneys were not so received. The District will also have the right to rescind any notice of prepayment, by written notice to the Trustee, on or prior to the date fixed for such prepayment. The Trustee will distribute a notice of such rescission in the same manner as the notice of prepayment was originally provided.

Additional Certificates

Under the terms of the Trust Agreement the District is authorized to sell Additional Certificates secured by Lease Payments for use and occupancy of the Property. Such Additional Certificates would be payable from legally available moneys of the District and be subject to appropriation. See Appendix A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Trust Agreement – Additional Certificates” attached hereto.

SEMI-ANNUAL CERTIFICATE PAYMENT SCHEDULES

Lease Payments are required to be made by the District under the Lease on or before March 15 and September 15 of each year (each, a “Lease Payment Date”) for the use and possession of the Property for the period commencing as of the Date of Delivery and terminating on October 1, 2036, or extended as provided in the Lease. The Lease requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee under the Trust Agreement (the “Lease Payment Fund”). On each Certificate Payment Date, the Trustee will withdraw from the Lease Payment Fund the aggregate amount of such Lease Payments and will apply such amounts to make principal and interest payments represented by the Certificates when due.

The table on the following page summarizes the semi-annual Certificate payment requirements of the District.

[REMAINDER OF PAGE LEFT BLANK]

SEMI-ANNUAL CERTIFICATE PAYMENT SCHEDULE

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Semi-Annual Payments</u>	<u>Total Annual Payments</u>
March 15, 2017	—	\$723,591.93	\$723,591.93	—
September 15, 2017	\$1,700,000	923,734.38	2,623,734.38	\$3,347,326.31
March 15, 2018	—	889,734.38	889,734.38	—
September 15, 2018	1,565,000	889,734.38	2,454,734.38	3,344,468.76
March 15, 2019	—	850,609.38	850,609.38	—
September 15, 2019	1,640,000	850,609.38	2,490,609.38	3,341,218.76
March 15, 2020	—	809,609.38	809,609.38	—
September 15, 2020	1,725,000	809,609.38	2,534,609.38	3,344,218.76
March 15, 2021	—	766,484.38	766,484.38	—
September 15, 2021	1,810,000	766,484.38	2,576,484.38	3,342,968.76
March 15, 2022	—	721,234.38	721,234.38	—
September 15, 2022	1,895,000	721,234.38	2,616,234.38	3,337,468.76
March 15, 2023	—	673,859.38	673,859.38	—
September 15, 2023	2,000,000	673,859.38	2,673,859.38	3,347,718.76
March 15, 2024	—	623,859.38	623,859.38	—
September 15, 2024	2,095,000	623,859.38	2,718,859.38	3,342,718.76
March 15, 2025	—	571,484.38	571,484.38	—
September 15, 2025	2,205,000	571,484.38	2,776,484.38	3,347,968.76
March 15, 2026	—	516,359.38	516,359.38	—
September 15, 2026	2,315,000	516,359.38	2,831,359.38	3,347,718.76
March 15, 2027	—	458,484.38	458,484.38	—
September 15, 2027	2,425,000	458,484.38	2,883,484.38	3,341,968.76
March 15, 2028	—	397,859.38	397,859.38	—
September 15, 2028	2,550,000	397,859.38	2,947,859.38	3,345,718.76
March 15, 2029	—	334,109.38	334,109.38	—
September 15, 2029	2,680,000	334,109.38	3,014,109.38	3,348,218.76
March 15, 2030	—	280,509.38	280,509.38	—
September 15, 2030	2,760,000	280,509.38	3,040,509.38	3,321,018.76
March 15, 2031	—	225,309.38	225,309.38	—
September 15, 2031	2,790,000	225,309.38	3,015,309.38	3,240,618.76
March 15, 2032	—	169,509.38	169,509.38	—
September 15, 2032	2,475,000	169,509.38	2,644,509.38	2,814,018.76
March 15, 2033	—	120,009.38	120,009.38	—
September 15, 2033	2,310,000	120,009.38	2,430,009.38	2,550,018.76
March 15, 2034	—	73,809.38	73,809.38	—
September 15, 2034	1,980,000	73,809.38	2,053,809.38	2,127,618.76
March 15, 2035	—	44,109.38	44,109.38	—
September 15, 2035	1,550,000	44,109.38	1,594,109.38	1,638,218.76
March 15, 2036	—	20,859.38	20,859.38	—
September 15, 2036	<u>1,335,000</u>	<u>20,859.38</u>	<u>1,355,859.38</u>	<u>1,376,718.76</u>
	\$41,805,000	\$18,742,932.75	\$60,547,932.75	\$60,547,932.75

SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES

Neither the Certificates nor the obligation of the District to make Lease Payments constitutes an obligation of the District for which the District is obligated to levy or pledge, or for which the District has levied or pledged, any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State of

California or any of its political subdivisions within the meaning of any constitutional limitation or violates any statutory debt limitation.

General

Each Certificate represents a fractional interest in the Lease Payments and prepayments to be made by the District to the Trustee under the Lease. The District is obligated to pay Lease Payments from any source of legally available funds, and has covenanted in the Lease to include all Lease Payments coming due in its annual budgets and to make the necessary annual appropriations therefor. The Corporation, pursuant to the Assignment Agreement, has assigned all of its rights under the Lease (excepting certain rights as specified therein), including the right to receive Lease Payments and prepayments, to the Trustee for the benefit of the Owners. By the fifteenth day of each March and September (if such day is not a Business Day, the next succeeding Business Day), the District must pay to the Trustee a Lease Payment (to the extent required under the Lease) which is equal to the amount necessary to pay the principal, if any, and interest due with respect to the Certificates on the next succeeding Certificate Payment Date.

Under the Lease, the District agrees to pay certain taxes, assessments, utility charges, and insurance premiums charged with respect to the Property and the Certificates and fees and expenses of the Trustee. The District is responsible for repair and maintenance of the Property during the term of the Lease. The District may at its own expense in good faith contest such taxes, assessments and utility and other charges if certain requirements set forth in the Lease are satisfied, including obtaining an opinion of counsel that the Property will not be subjected to loss or forfeiture.

The District's obligation to make Lease Payments will be abated in the event of, and to the extent of, substantial interference with use and possession of the Property arising from damage, destruction, or taking by eminent domain or condemnation of the Property. Abatement would not constitute a default under the Lease and the Trustee would not be entitled in such event to pursue remedies against the District. See "RISK FACTORS – Abatement" herein.

Should the District default under the Lease, the Trustee, as assignee of the Corporation, may terminate the Lease and re-lease the Property or may retain the Lease and hold the District liable for all Lease Payments thereunder on an annual basis. Under no circumstances will the Trustee have the right to accelerate Lease Payments. See "RISK FACTORS – No Acceleration Upon Default" herein.

Lease Payments

Subject to the provisions of the Lease regarding abatement in the event of loss of use and possession of any portion of the Property (see "RISK FACTORS – Abatement" herein) and prepayment of Lease Payments (see the provisions relating to prepayment under the caption "THE CERTIFICATES" above), the District agrees to pay to the Corporation, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments to be due and payable on each Lease Payment Date.

Any monies deposited in the Lease Payment Fund during the month preceding a Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease and other amounts required for payment of past due principal or interest with respect to any Certificates not presented for payment) shall be credited to the payment of Lease Payments due and payable on such Lease Payment Date.

The Trust Agreement requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, on April 1 and October 1 of each year, commencing April 1, 2017, the Trustee will apply such amounts in the Lease Payment Fund as are necessary to make interest and principal payments, respectively, with respect to the Certificates as the same shall become due and payable, in the amounts specified in the Lease.

Additional Payments

In addition to the Lease Payments, the District shall also pay such Additional Payments as shall be required for the payment of all administrative costs of the Corporation relating to the Property or the Certificates, including without limitation, all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, taxes of any sort whatsoever payable by the Corporation as a result of its interest in the Property or undertaking of the transactions contemplated in the Lease or the Trust Agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement including premiums or insurance maintained pursuant to the Lease to indemnify the Corporation and its employees, officers and directors, and the Trustee and its agents, successors and assigns.

Insurance

Pursuant to the Lease, the District will obtain a CLTA leasehold title insurance policy on the Property in an amount equal to the aggregate principal component of Certificates Outstanding. The Lease also requires that the District maintain rental interruption insurance to insure against loss of Lease Payments from the Property in an amount not less than the maximum remaining scheduled Lease Payments in any future twenty-four-month period. The District is obligated to obtain a standard comprehensive general public liability and property damage insurance policy or policies and workers' compensation insurance. The District is also obligated to procure and maintain casualty insurance providing coverage against loss or damage to the Property. The District is not required to maintain flood or earthquake insurance. See Appendix A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease – Insurance" attached hereto.

The proceeds of any rental interruption insurance will be paid to the Trustee and deposited in the Lease Payment Fund to be credited towards the payment of the Lease Payments in the order in which such Lease Payments become due and payable. The Lease requires the District to apply the Net Proceeds of any insurance award received by it either to replace or repair the Property or to prepay Certificates if certain certifications with respect to the adequacy of the Net Proceeds to make repairs, and the timing thereof, cannot be made. The amount of Lease Payments will be abated and Lease Payments due under the Lease may be reduced during any period in which material damage or destruction to all or part of the Property substantially interferes with the District's use and possession thereof. See "RISK FACTORS – Abatement" herein.

ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated uses of total proceeds, reflecting proceeds to be received from the sale of the Certificates are as follows:

<u>Sources</u>	<u>Total</u>
Principal Amount	\$41,805,000.00
Plus Net Original Issue Premium	5,963,509.15
Reserve Fund for Refunded Certificates	3,525,413.88
Total	<u>\$51,293,923.03</u>
<u>Uses</u>	
Project Fund	\$5,900,000.00
Escrow Fund	45,019,720.99
Costs of Delivery ⁽¹⁾	<u>374,202.04</u>
Total	<u>\$51,293,923.03</u>

⁽¹⁾ Includes all initial costs of delivery, including but not limited to the underwriting discount, legal and financial advisory fees, rating agency fees, printing fees, the fees of the Trustee, Verification Agent and Escrow Agent, and other miscellaneous costs of issuance.

RISK FACTORS

The following factors, together with all other information provided in this Official Statement, should be considered by potential investors in evaluating the purchase of the Certificates. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District's ability to make Lease Payments in the future, the effectiveness of any remedies that the Trustee may have or the circumstances under which Lease Payments may be abated. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

No representation is made as to the future financial condition of the District. Payment of the Lease Payments is a general fund obligation of the District and the ability of the District to make Lease Payments may be adversely affected by its financial condition as of any particular time.

General Considerations – Security for the Certificates

The obligation of the District to make the Lease Payments does not constitute a debt of the District or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State is obligated to levy or pledge any form of taxation or for which the District or the State has levied or pledged any form of taxation.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease to pay the Lease Payments and Additional Payments from any source of legally available funds and the District has covenanted in the Lease that it will take such action as may be necessary to include all Lease Payments and Additional Payments due under the Lease in its annual budgets and to make necessary annual appropriations for all such rental payments. The District is

currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments.

The District has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the District, the funds available to make Lease Payments may be decreased. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other activities before making Lease Payments and other payments due under the Lease.

Constitutional and Statutory Provisions Affecting Taxes and Appropriations

Article XIII B of the State Constitution places certain limits on the appropriations the District is permitted to make. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

Abatement

The obligation of the District under the Lease to pay Lease Payments is in consideration for the use and possession of the Property. The obligation of the District to make Lease Payments may be abated in whole or in part if the District does not have full use and possession of the Property.

The amount of Lease Payments due under the Lease will be adjusted or abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation, there is substantial interference with the use and possession of any portion of the Property. During abatement, available moneys on deposit in the Lease Payment Fund and other special sources of money, including without limitation proceeds of rental interruption insurance, shall be applied to pay the Lease Payments.

If damage or destruction to the Property results in abatement or adjustment of Lease Payments and the resulting Lease Payments or other special sources of money, including without limitation proceeds of rental interruption insurance, are insufficient to make all payments of principal and interest due with respect to the Certificates during the period that the Property is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made, and the only remedy available to the Trustee or Owners will be the proceeds from rental interruption insurance. Such insurance is required to provide coverage of Lease Payments for up to two years during this period.

Notwithstanding the foregoing provisions of the Lease and the Trust Agreement specifying the extent of abatement in the event of the District's failure to have use and possession of the Property, such provisions may be superseded by operation of law and, in such event, the resulting Lease Payments of the District may not be sufficient to pay all of that portion of the remaining principal and interest with respect to the Certificates Outstanding.

Absence of Earthquake Insurance

Much of California is seismically active, with numerous faults that could produce earthquakes. The District is not obligated under the Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Property being leased, and does not anticipate doing so. Thus, if seismic activity caused significant damage to the Property, the value of such property could be adversely affected. The District is not able to predict whether or to what extent such damage might occur.

Public school construction in the state of California, including the school facilities constructed on the Property, are entitled and approved through the California Division of State Architect (“DSA”), which reviews building plans and calculations based on three sets of criteria: Seismic and Engineering; Fire, Life, Safety; and Access. DSA applies the California building code standards and requires that certain buildings are compliant with the Field Act for Public Schools set forth in Sections 17280 & 81130 et seq of the California Education Code (the “Field Act”). The Field Act sets forth structural design standards to enable school buildings meet a higher threshold of seismic safety, ensuring safety for students and building occupants in the event of an earthquake.

Other Limitations on Liability

Although the District covenants to budget and appropriate annually to provide for Lease Payments, the District has not pledged its full faith and credit to such payment. In the event that the District’s revenue sources are less than its total obligations in any year, the District could choose to fund other District services before paying one or all of the annual Lease Payments.

Except as expressly provided in the Trust Agreement, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the District, or with respect to the performance by the District of other agreements and covenants required to be performed by it contained in the Lease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

The enforceability of the rights and remedies of the Owners of the Certificates, and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

No Acceleration Upon Default

In the event of a default by the District, the remedy of acceleration of the remaining Lease Payments is not available. The District will only be liable for Lease Payments on an annual basis, and the Trustee would in the event of default be required to seek a separate judgment each year for that year’s defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against public agencies in California.

Limited Recourse on Default

The Lease and the Trust Agreement provide that the Trustee may take possession of the Property and re-lease it if there is a default by the District and that, in the event such re-leasing occurs, the District would be liable for any resulting deficiency in the Lease Payments. The Lease provides that the Trustee may have such rights of access to the Property as may be necessary to exercise any remedies. Portions of

the Property may not be easily recoverable, because they may be affixed to property not owned by the District and, even if recovered, may be of little or no value to others. Furthermore, due to the essential nature of the Property in relation to the District, it is not certain whether a court would permit the exercise of the remedies of repossession and leasing with respect thereto. The Trustee is not empowered to sell the Property for the benefit of the Owners. In the event of a default, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease. The District will be liable for Lease Payments only on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's Lease Payments.

Alternatively, the Trustee may terminate the Lease with respect to the Property and proceed against the District to recover damages pursuant to the Lease. Any suit for money damages would be subject to limitations on legal remedies against school districts in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Substitution of Property

The Lease provides that, upon the satisfaction of certain conditions specified therein, the District may substitute other public facilities or real property for all or any portion of the Property. See Appendix A - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Lease - Covenants with Respect to the Property - Substitution or Release of the Property." The Lease requires that any property which will comprise the Property after such a substitution must have a useful life and fair rental value at least equal to the useful life and fair rental value of the Property at the time of substitution. Such a replacement could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Lease Payments and Additional Payments were to occur subsequent to such substitution.

Property Values

The District has estimated the value of the real property constituting the Property. (See "THE PROPERTY" herein). The estimate makes certain assumptions which could affect the estimate of property value. If any of these assumptions are proven incorrect, there could be a negative impact on value.

The estimates as to values are merely the opinions of the District as of the date the Property was last insured. The District has not sought the opinion of any appraiser. A different opinion of such value might be rendered by an appraiser.

The fee estate will not be assigned to the Trustee but, rather, the rights of the Corporation under the Lease, which is for a limited term, will be assigned to the Trustee. See Appendix A - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." Thus, the value of the real property constituting the Property and the buildings and improvements thereon are not necessarily an accurate measure of the value of the interest in the Lease assigned to the Trustee.

THE CORPORATION

The Carlsbad Unified School District Educational Facilities Corporation was incorporated on December 8, 1975, as a California nonprofit public benefit corporation. The Corporation was formed for the specific purpose of benefiting the District by participating with the District in projects to maintain, improve and assist the educational activities of the District by acquiring, purchasing, selling, leasing or otherwise transferring real and personal property in connection with such projects, as well as assisting the

District in financing, acquiring and constructing such projects. The directors of the Corporation receive no compensation. The Corporation has no financial liability to the Owners of the Certificates with respect to the payment of Lease Payments by the District or with respect to the performance by the District of the other agreements and covenants it is required to perform.

DISTRICT FINANCIAL MATTERS

State Funding of Education

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State’s annual budget.

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State’s annual budget.

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments (“COLAs”) and to equalize revenues among school districts of the same type. Funding of a school district’s revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Since fiscal year 2013-14, school districts have been funded based on uniform funding grants assigned to certain grade spans. See “—Local Control Funding Formula” herein.

The following table reflects the District’s historical ADA and the revenue limit rates per unit of ADA for fiscal years 2006-07 through 2012-13.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Carlsbad Unified School District
Fiscal Years 2006-07 to 2012-13

<u>Fiscal Year</u>	<u>Average Daily Attendance⁽¹⁾</u>	<u>Base Revenue Limited per ADA</u>	<u>Deficit Revenue Limit Per ADA⁽²⁾</u>
2006-07	10,081	\$5,523.31	\$5,523.31
2007-08	10,285	5,775.31	5,775.31
2008-09	10,313	6,104.31	5,625.49
2009-10	10,418	6,366.31	5,197.77
2010-11	10,593	6,349.70	5,202.22
2011-12	10,619	6,492.88	5,155.22
2012-13	10,471	6,705.16	5,211.79

⁽¹⁾ Reflects ADA as of the second principal reporting period (“P-2 ADA”), which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district. Excludes average daily attendance in county operated and non-public schools.

⁽²⁾ Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State’s practice of deficit revenue limit funding was most recently reinstated beginning in fiscal year 2008-09, and discontinued following the implementation of the LCFF (as defined herein).

Source: Carlsbad Unified School District.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) (“AB 97”), enacted as part of the fiscal year 2013-14 State budget, established a new system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) (“SB 91”).

The primary component of AB 97, as amended by SB 91, was the implementation of the Local Control Funding Formula (“LCFF”), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a “Base Grant”) assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed herein. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment is required to be calculated for each school district, equal to such district’s proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants are to be adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See “—State Budget Measures” herein for information on the adjusted Base Grants provided by current State budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed separately herein). A supplemental grant add-on (each, a “Supplemental Grant”) is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such district’s percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 50% of the applicable Base Grant multiplied by the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 through 2016-17.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2016-17
Carlsbad Unified School District

Fiscal Year	Average Daily Attendance ⁽¹⁾					Enrollment	
	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment ⁽²⁾	% of EL/LI Enrollment ⁽²⁾
2012-13	3,149.92	2,495.52	1,715.05	3,111.02	10,471.51	10,956	23.5%
2013-14	3,062.72	2,520.44	1,709.62	3,273.09	10,565.87	10,999	20.9
2014-15	3,089.37	2,518.26	1,617.62	3,373.68	10,598.93	11,052	23.29
2015-16	3,016.29	2,520.38	1,661.24	3,443.04	10,640.95	11,085	22.84
2016-17 ⁽³⁾	3,015.27	2,520.74	1,661.22	3,438.28	10,635.51	11,081	22.40

⁽¹⁾ Except for fiscal year 2016-17, reflects P-2 ADA, which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district. Includes County operated programs.

⁽²⁾ Fiscal year 2012-13 enrollment as of October report submitted to the California Basic Educational Data System (“CBEDS”). Fiscal years 2013-14 through 2015-16 reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures exclude preschool and adult transitional students. For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students will be based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

⁽³⁾ Budgeted.

Source: Carlsbad Unified School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the LCFF implementation period. The District does not qualify for the ERT add-on.

The sum of a school district’s adjusted Base, Supplemental and Concentration Grants will be multiplied by such district’s P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district’s total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district’s share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the state legislature (the “State Legislature”) to school districts.

Certain schools districts, known as “basic aid” districts, have allocable local property tax collections that equal or exceed such districts’ total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the “basic aid” requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their

primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not qualify as a basic aid district.

Accountability. Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans (“LCAPs”) disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has developed and adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts in meeting the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district’s LCAP or annual update thereto, and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district’s LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district’s budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district’s strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district in identifying and implementing programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. On or before October 1, 2015, the State Board of Education is required to develop rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district’s LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

Other Revenue Sources

Federal and Local Sources. The federal government provides funding for several of the District's programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as from leases and rentals, interest earnings, interagency services, developer fees (described below), redevelopment revenues, foundation revenues, and other local sources.

Developer Fees. The District collects developer fees to finance essential school facilities within the District and are deposited into the Capital Facilities Fund. The following table of developer fee revenues reflects the collection of fees from fiscal year 2011-12 through 2015-16 and a budgeted amount for fiscal year 2016-17.

DEVELOPER FEES
Fiscal Years 2011-12 through 2016-17
Carlsbad Unified School District

<u>Year</u>	<u>Total Revenues</u>
2011-12	\$765,052
2012-13	277,928
2013-14	800,230
2014-15	1,057,733
2015-16	1,128,499
2016-17 ⁽¹⁾	375,000

⁽¹⁾ Budgeted.

Source: Carlsbad Unified School District.

Tax Offset Revenues and Pass-Through Revenues. The District receives tax offset revenue from the County as a part of certain redevelopment projects within the boundaries of the District (the “Tax Offset Revenues”). The Tax Offset Revenues received by the District are deposited directly into the District’s general fund and are offset against the State apportionment received by the District. The amount of Tax Offset Revenues received by the District from fiscal years 2012–13 through 2015–16, and a budgeted amount for fiscal year 2016–17 are shown in the following table.

TAX OFFSET REVENUES AND PASS-THROUGH REVENUES
Fiscal Years 2012–13 through 2016–17
Carlsbad Unified School District

<u>Fiscal Year</u>	<u>Tax Offset Revenues⁽¹⁾</u>
2012–13	\$3,408,721
2013–14	671,043
2014–15	843,357
2015–16	846,023
2016–17 ⁽²⁾	828,566

⁽¹⁾ Tax Offset Revenues received by the District are offset against the State apportionments received by the District.

⁽²⁾ Budgeted.

Source: Carlsbad Unified School District.

Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos (“Matosantos”), finding ABx1 26, a trailer bill to the 2011–12 State budget, to be constitutional. As a result, all redevelopment agencies in California ceased to exist as a matter of law on February 1, 2012.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011–12) (“AB 1484”), which, together with ABx1 26, is referred to herein as the “Dissolution Act.” The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller’s cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund (“Trust Fund”), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any “enforceable obligations” of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least \$250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to

local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) ("AB 1290"), are restricted to educational facilities without offset against apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the affected local taxing entity uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX 1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received . . . had the redevelopment agency existed at that time," and that the county auditor-controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of [ABX 1 26] using current assessed values . . . and pursuant to statutory [pass-through] formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which its base apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

State Budget Measures

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

2016-17 Budget. On June 27, 2016, the Governor signed into the law the State budget for fiscal year 2016-17 (the "2016-17 Budget"). The following information is drawn from the Department of Finance's summary of the 2016-17 Budget and the LAO's preliminary review of the 2016-17 Budget.

The 2016-17 Budget projects, for fiscal year 2015-16, total general fund revenues and transfers of \$117 billion and total expenditures of \$115.6 billion. The State is projected to end the 2015-16 fiscal year with total available reserves of \$7.3 billion, including \$3.9 billion in the traditional general fund reserve and \$3.4 billion in the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58). For fiscal year 2016-17, the 2016-17 Budget projects a growth in State general fund revenues driven primarily by total general fund revenues of \$120.3 billion and authorizes expenditures of \$122.5 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of \$8.5 billion, including \$1.8 billion in the traditional general fund reserve and \$6.7 billion in the BSA.

As a result of higher general fund revenue estimates for fiscal years 2015-16 and 2016-17, and after accounting for expenditures controlled by constitutional funding requirements such as Proposition 2 and Proposition 98, the 2016-17 Budget allocates over \$6 billion in discretionary funding for various purposes. These include (i) additional deposits of \$2 billion to the BSA (reflected in the discussion above) and \$600 million to the State's discretionary budget reserve fund, (ii) approximately \$2.9 billion in one-time funding for various purposes including infrastructure, affordable housing and public safety programs, and (iii) \$700 million in on-going funding commitments for higher education (California State University and the University of California systems), corrections and rehabilitation and State courts.

As required by Proposition 2, the 2016-17 Budget applies \$1.3 billion towards the repayment of existing State liabilities, including loans from special funds, State and University of California pension and retiree health benefits and settle-up payments to K-14 school districts resulting from an underfunding of the Proposition 98 minimum funding guarantee in a prior fiscal year.

With respect to education funding, the 2016-17 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2014-15 and 2015-16, as a result of increased revenue estimates. The 2016-17 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2016-17 at \$71.9 billion, an increase of \$2.8 billion over the revised level from the prior fiscal year. With respect to K-12 education, the share of the minimum funding guarantee is \$62.5 billion, including \$44.5 billion from the State general fund and \$18.1 billion from local property tax collections. Significant features with respect to K-12 education funding include the following:

- Local Control Funding Formula - \$2.9 billion of Proposition 98 funding to continue the implementation of the LCFF. This reflects a 5.7% increase from the prior year, and is estimated to close the remaining funding implementation gap between the prior year and the LCFF target levels by approximately 54%. As a result, the 2016-17 Budget projects total LCFF implementation to be at 96% during fiscal year 2016-17.
- Discretionary Funding - \$1.3 billion in additional one-time funding that local educational agencies may use for any purpose. Funding will be distributed based on ADA. While

funding is intended to reduce the backlog of unpaid reimbursement claims for State-mandated activities, the 2016-17 Budget estimates that most local educational agencies do not have such unpaid claims, and that only \$617 million of the total funding will be used for this purpose.

- Maintenance Factor – The 2016-17 Budget assumes the creation of a new maintenance factor of \$746 million in fiscal year 2016-17, created by the difference in growth in per capita State general fund revenues and growth in State per capita personal income.
- College Readiness – \$200 million in one-time Proposition 98 funding to fund a block grant for school districts and charter schools serving high school students. Funds are intended to provide additional services that support access and successful transition to higher education. Allocation of the funding will be based on the number of students in grades 9 through 12 that are English-learners, low-income or foster youth, with no district or charter school receiving less than \$75,000. The 2016-17 Budget also provides \$15 million in one-time Proposition 98 grant funding to support coordinated student outreach by local educational agencies and community college districts aimed at increasing college preparation, access, and success.
- Career Technical Education (CTE) – The State Budget for fiscal year 2015-16 established the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs, and provided \$400 million in fiscal year 2015-16 to fund the program. The 2016-17 Budget provides \$300 million in second-year funding for this program.
- Charter Schools – An increase of \$20 million in one-time Proposition 98 funding to support startup costs for new charter schools in 2016 and 2017. The funds are intended to offset the loss of previously available federal funding.
- Support Systems – \$20 million in one-time Proposition 98 funding to assist local educational agencies provide academic, behavioral, social and emotional student support services.
- Truancy and Dropout Prevention – Proposition 47, approved by voters in November 2014, reduces penalties for certain non-serious and non-violent property and drug offenses, and requires that a portion of State expenditure savings resulting from these reduced penalties be invested into K-12 truancy and dropout prevention. The 2016-17 Budget estimates approximately \$9.9 million in state savings that will be available for this program. The 2016-17 Budget also includes an additional \$18 million in one-time funding for the program, resulting in total funding of \$27.9 million.
- Teacher Workforce Initiatives – The 2016-17 Budget funds several initiatives designed to increase the supply of K-12 teachers, including (i) \$20 million to encourage classified employees to complete their education and pursue teaching credentials, (ii) \$10 million in non-Proposition 98 funding to expand the number of integrated programs that allow a participant to concurrently earn a bachelor's degree and a teaching credential, and (iii) \$5 million to fund teacher recruitment activities.
- Drinking Water – \$9.5 million in one-time Proposition 98 funding to assist school districts that serve isolated or economically disadvantaged areas improve access to safe drinking water.

For additional information regarding the 2016-17 Budget, see the State Department of Finance website at www.sdf.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

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

Investment of District Funds

Most District funds are deposited with the Treasurer-Tax Collector of the County (the "Treasurer") to the credit of the proper fund of the District. The Treasurer is responsible for the investment of the funds of the County, and certain classes of involuntary depositors such as school districts (including District funds which will be used to make the Lease Payments), community college districts and certain special districts in the County, are required under state law to be deposited into the County treasury. In addition, certain agencies invest certain of their funds in the County treasury on a voluntary basis. Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the "Investment Pool"). For more information regarding the Investment Pool, see Appendix G - "SAN DIEGO COUNTY INVESTMENT POOL."

Accounting Practices

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

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

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

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's audited financial statements for the year ended June 30, 2015 are included for reference in Appendix C hereto. The table below shows a summary of the District's audited general fund revenues, expenditures and changes in fund balance for fiscal years 2010-11 through 2014-15.

[REMAINDER OF PAGE LEFT BLANK]

AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years 2010-11 through 2014-15
Carlsbad Unified School District

	Audited Actuals <u>2010-11</u>	Audited Actuals <u>2011-12</u>	Audited Actuals <u>2012-13</u>	Audited Actuals <u>2013-14</u>	Audited Actuals <u>2014-15</u>
REVENUES:					
Revenue Limit Sources/LCFF Sources ⁽¹⁾					
State Apportionments	\$(15,180)	\$(7,142)	\$2,109,419	\$912,334	\$912,282
Education Protection Account Funds	—	—	—	2,113,736	2,119,162
Local Sources	61,392,709	61,169,443	65,519,169	63,844,009	69,163,569
Federal Sources	4,963,120	3,369,592	3,161,437	3,262,085	3,187,071
Other State Sources	7,270,847	4,593,055	4,830,838	7,287,423	5,813,724
Other Local Sources	<u>6,570,459</u>	<u>5,209,569</u>	<u>7,199,367</u>	<u>8,205,500</u>	<u>8,735,337</u>
TOTAL REVENUES	80,181,955	74,334,517	82,820,230	85,625,087	89,931,145
EXPENDITURES:					
Current:					
Instruction	54,076,503	50,515,503	49,247,217	53,109,074	56,652,193
Instruction-related Activities:	8,426,735	8,165,274	8,009,337	8,567,263	9,442,709
Pupil Services	7,935,463	7,698,254	6,911,870	7,131,492	7,937,787
Ancillary Services	640,792	648,303	580,899	751,108	1,016,820
Community Services	217,617	174,889	107,963	112,671	107,385
General Administration	4,731,620	4,974,081	4,680,717	5,362,706	6,135,004
Plant Services	7,761,734	7,318,790	7,589,782	8,272,817	9,089,778
Other outgo	106,252	51,349	381,895	502,160	699,344
Debt Service					
Debt Issue Costs	—	—	282,115	179,731	—
Principal	150,197	317,908	—	—	—
Interest	<u>172,639</u>	<u>327,764</u>	—	—	—
TOTAL EXPENDITURES	84,219,552	80,192,115	77,791,795	83,989,022	91,081,020
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,037,597)	(5,857,598)	5,028,435	1,636,065	(1,149,875)
OTHER FINANCING SOURCES (USES):					
Transfers In	2,416,917	520,508	—	—	—
Transfers Out	(44,523)	—	—	—	—
Other Sources	—	—	—	—	—
NET FINANCING SOURCES (USES)	2,372,394	520,508	—	—	—
NET CHANGE IN FUND BALANCES	(1,665,203)	(5,337,090)	5,028,435	1,636,065	(1,149,875)
Fund Balance, July 1	<u>16,712,892</u>	<u>15,047,690</u>	<u>9,710,600</u>	<u>14,739,035</u>	<u>16,375,099</u>
Fund Balance, June 30	<u>\$15,047,689</u>	<u>\$9,710,600</u>	<u>\$14,739,035</u>	<u>\$16,375,100</u>	<u>\$15,225,224</u>

⁽¹⁾ Beginning in fiscal year 2013-14, this category is coded LCFF Sources.
Source: Carlsbad Unified School District.

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Subsequent legislation has made certain amendments to the budgeting process, including Senate Bill 97, effective as of September 26, 2013 (requiring budgets to include sufficient funds to implement LCAPs), Senate Bill 858, effective as of June 20, 2014 (requiring ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill 2585, effective as of September 9, 2014 (eliminating the dual budget cycle option for school districts).

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a local control and accountability plan, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 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 September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by October 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 November 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. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. 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.

Interim Financial Reports. 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 fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations

for the current fiscal year and subsequent fiscal year. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

The District has never had an adopted budget disapproved by the County Superintendent of Schools. The District's Board approved a "self-qualified" certification on its 1st Interim Financial Report and 2nd Interim Financial Report for fiscal years 2011-12 and 2012-13 pursuant to A.B. 1200. The District has reported a "positive" certification for all reporting periods thereafter.

General Fund Budgeting. The table on the following page show the District's general fund adopted budgets for the years 2012-13 through 2016-17, audited general fund results for the fiscal years 2012-13 through 2014-15, and unaudited ending results for the fiscal year 2015-16.

[REMAINDER OF PAGE LEFT BLANK]

GENERAL FUND BUDGETING
Fiscal Years 2012-13 through 2016-17
Carlsbad Unified School District

	<u>Fiscal Year 2012-13</u>		<u>Fiscal Year 2013-14</u>		<u>Fiscal Year 2014-15</u>		<u>Fiscal Year 2015-16</u>		<u>Fiscal Year 2016-17</u>
	<u>Adopted Budget⁽¹⁾</u>	<u>Audited Actuals⁽¹⁾</u>	<u>Adopted Budget⁽¹⁾</u>	<u>Audited Actuals⁽¹⁾</u>	<u>Adopted Budget⁽¹⁾</u>	<u>Audited Actuals⁽¹⁾</u>	<u>Adopted Budget⁽²⁾</u>	<u>Unaudited Actuals⁽⁴⁾</u>	<u>Adopted Budget⁽⁴⁾</u>
REVENUES:									
LCFF/Revenue Limit Sources ⁽³⁾	\$60,374,040	\$67,628,588	\$65,324,620	\$66,870,079	\$68,023,562	\$72,195,013	\$79,842,222	\$80,159,952	\$85,312,700
Federal Revenue	3,053,207	3,161,437	2,994,394	3,262,085	2,827,588	3,187,071	3,128,234	3,461,790	3,441,880
Other State Revenue	4,971,701	4,830,838	3,784,410	5,210,358	2,799,465	5,813,724	9,246,872	13,741,120	9,559,686
Other Local Revenue	<u>4,100,550</u>	<u>7,199,367</u>	<u>6,419,045</u>	<u>8,205,500</u>	<u>7,012,284</u>	<u>8,735,337</u>	<u>6,647,450</u>	<u>8,802,943</u>	<u>6,281,894</u>
Total Revenues	72,499,498	82,820,230	78,522,469	83,548,022	80,662,899	89,931,145	98,864,778	106,165,805	104,596,160
EXPENDITURES:									
Certificated Salaries	37,594,120	37,784,458	38,405,177	39,948,911	40,658,885	42,734,897	43,151,959	46,938,902	47,445,505
Classified Salaries	10,569,607	10,762,341	11,112,908	11,630,044	11,735,425	12,323,137	12,196,683	13,381,098	13,863,841
Employee Benefits	17,350,649	17,042,601	17,563,712	17,034,309	17,976,455	20,672,134	19,795,687	22,827,990	26,449,499
Books and Supplies	1,914,180	2,305,670	2,921,267	2,810,352	3,676,071	2,781,651	3,589,511	4,415,330	4,037,382
Services and Operating Expenditures	9,525,856	9,588,333	10,433,303	9,890,825	10,793,846	11,425,894	11,906,740	11,518,829	11,406,493
Direct Support/Indirect Costs	(108,838)	(107,799)	—	—	—	—	—	—	—
Other Outgo	688,823	381,895	(57,188)	502,160	299,402	543,687	460,813	747,005	1,030,736
Capital Outlay	<u>—</u>	<u>34,296</u>	<u>158,000</u>	<u>95,356</u>	<u>53,000</u>	<u>599,620</u>	<u>271,032</u>	<u>938,053</u>	<u>723,848</u>
Total Expenditures	77,534,397	77,791,795	80,537,179	81,911,957	85,193,084	91,081,020	91,372,425	100,767,209	104,957,304
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,034,899)	5,028,435	(2,014,710)	1,636,065	(4,530,185)	(1,149,875)	7,492,353	5,398,596	(361,144)
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	—	—	—	—	—	—	—	—	—
Operating Transfer Out	—	—	—	—	—	—	—	—	(100,000)
Other Sources	—	—	—	—	—	—	—	—	—
Contributions	—	—	—	—	—	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—	—	—	—	—	(100,000)
NET CHANGE IN FUND BALANCES	(5,034,899)	5,028,435	(2,014,710)	1,636,065	(4,530,185)	(1,149,875)	7,492,353	5,398,596	(461,144)
FUND BALANCE, JULY 1	<u>9,710,600</u>	<u>9,710,600</u>	<u>14,739,035</u>	<u>14,739,035</u>	<u>16,375,099</u>	<u>16,375,099</u>	<u>15,225,224</u>	<u>15,225,224</u>	<u>20,623,821</u>
FUND BALANCE, JUNE 30	<u>\$4,675,701</u>	<u>\$14,739,035</u>	<u>\$12,724,325</u>	<u>\$16,375,100</u>	<u>\$11,844,914</u>	<u>\$15,225,224</u>	<u>\$22,717,577</u>	<u>\$20,623,821</u>	<u>\$20,162,675</u>

(1) From the District's Comprehensive Audited Financial Report for fiscal years 2012-13 through 2014-15.

(2) From the District's second interim financial report for fiscal year 2015-16, adopted by the Board on March 2, 2016.

(3) Beginning in fiscal year 2013-14, this category is coded "LCFF Sources".

(4) From the District's Unaudited Actuals for fiscal year 2016-17, adopted by the Board on September 14, 2016.

Source: Carlsbad Unified School District.

District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2015 is show below:

<u>Governmental activities:</u>	Balance			Balance
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
General obligation bonds ⁽¹⁾	\$190,233,487	—	\$6,205,485	\$184,028,002
Bond premium	6,535,903	—	218,571	6,317,332
Accreted interest	33,670,401	\$6,887,324	2,234,515	38,323,210
Certificates of participation	44,525,000	—	1,650,000	42,875,000
COPs premium	395,660	—	15,618	380,042
Capital Leases	5,570,000	—	405,000	5,165,000
Special tax bonds	3,045,000	—	1,220,000	1,825,000
Compensated absences	328,096	—	36,138	291,958
Net pension liability ⁽²⁾	79,733,044	—	15,911,625	63,821,419
Net OPEB Obligation	11,697,610	2,822,027	1,344,349	13,175,288
Total governmental activities	<u>\$375,734,201</u>	<u>\$9,709,351</u>	<u>\$29,241,301</u>	<u>\$356,202,251</u>

⁽¹⁾ Excludes the 2016 Refunding Bonds.

⁽²⁾ Reflects the aggregate of the District's proportionate share of the net pension liabilities for the STRS and PERS programs. For fiscal year ending June 30, 2015. See also "CARLSBAD UNIFIED SCHOOL DISTRICT - District Retirement Systems - GASB Statement Nos. 67 and 68" and "APPENDIX C - 2014-15 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT- Note O "Pension Plans."

Source: Carlsbad Unified School District.

General Obligation Bonds. On June 3, 1997, the voters of the District approved the issuance of not-to-exceed \$26,500,000 of general obligation bonds (the "1997 Authorization"). On October 16, 1997, the District issued the first series of bonds under the 1997 Authorization in the aggregate principal amount of \$26,498,696.20 (the "1997 Series A Bonds").

On November 7, 2006, the voters of the District approved the issuance of not-to-exceed \$198,000,000 of general obligation bonds (the "2006 Authorization"). On September 12, 2007, the District issued the first series of bonds under the 2006 Authorization in the aggregate principal amount of \$40,000,000 (the "2006 Series A Bonds"). On June 2, 2009, the District issued the second series of bonds under the 2006 Authorization in the aggregate principal amount of \$79,998,016.85 (the "2006 Series B Bonds"). On June 21, 2011, the District issued the third series of bonds under the 2006 Authorization in the aggregate principal amount of \$52,998,237.95 (the "2006 Series C Bonds"). Concurrently with the issuance of the District's 2006 Series C Bonds, on June 21, 2011, the District issued the fourth series of bonds under the 2006 Authorization as federally taxable qualified school construction bonds, in the aggregate principal amount of \$25,000,000 (the "2006 Series D Bonds").

On June 26, 2014, the District issued its 2014 General Obligation Refunding Bonds in the aggregate principal amount of \$16,495,000 (the "2014 Refunding Bonds") for the purpose of refunding a portion of the then-outstanding 2006 Series A Bonds.

On February 25, 2016, the District issued its 2016 General Obligation Refunding Bonds in the aggregate principal amount of \$38,305,000 (the "2016 Refunding Bonds") for the purpose of refunding a portion of the then-outstanding 2006 Series A Bonds and 2006 Series B Bonds.

The following table displays the total annual debt service requirements of the District for all of its outstanding general obligation bonded debt (and assuming no optional redemptions):

OUTSTANDING GENERAL OBLIGATION BONDED INDEBTEDNESS⁽¹⁾
Carlsbad Unified School District

Year Ending (August 1)	1997 Series A Bonds	2006 Series A Bonds	2006 Series B Bonds	2006 Series C Bonds	2006 Series D Bonds ⁽¹⁾	2014 Refunding Bonds	The 2016 Refunding Bonds	Total Annual Debt Service
2017	\$2,925,000.00	\$1,239,000.00	\$4,815,000.00	\$682,787.50	\$1,227,250.00	\$697,450.00	\$1,782,050.00	\$13,368,537.50
2018	2,985,000.00	—	5,335,000.00	782,787.50	1,227,250.00	1,934,250.00	1,782,050.00	14,046,337.50
2019	3,050,000.00	—	5,490,000.00	1,224,787.50	1,227,250.00	1,938,250.00	1,782,050.00	14,712,337.50
2020	3,120,000.00	—	3,078,000.00	1,702,537.50	1,227,250.00	1,932,650.00	4,222,050.00	15,282,487.50
2021	3,185,000.00	—	3,078,000.00	2,200,537.50	13,727,250.00	1,933,850.00	4,380,050.00	28,504,687.50
2022	3,255,000.00	—	3,078,000.00	2,729,056.26	654,250.00	1,930,350.00	4,549,050.00	16,195,706.26
2023	3,320,000.00	—	3,078,000.00	3,286,706.26	654,250.00	1,938,350.00	4,717,800.00	16,995,106.26
2024	—	—	3,078,000.00	3,879,018.76	654,250.00	1,933,350.00	4,890,550.00	14,435,168.76
2025	—	—	3,078,000.00	4,499,768.76	654,250.00	1,934,100.00	5,071,300.00	15,237,418.76
2026	—	—	3,078,000.00	5,174,268.76	13,154,250.00	1,931,000.00	5,248,800.00	28,586,318.76
2027	—	—	3,078,000.00	7,554,343.76	—	1,936,400.00	5,442,300.00	18,011,043.76
2028	—	—	8,633,000.00	8,302,750.00	—	—	2,090,050.00	19,025,800.00
2029	—	—	8,824,700.00	9,086,031.26	—	—	2,088,300.00	19,999,031.26
2030	—	—	9,024,900.00	9,908,675.00	—	—	2,092,300.00	21,025,875.00
2031	—	—	9,231,200.00	10,784,556.26	—	—	2,089,850.00	22,105,606.26
2032	—	—	9,436,200.00	11,711,325.00	—	—	2,085,750.00	23,233,275.00
2033	—	—	9,647,800.00	15,296,325.00	—	—	—	24,944,125.00
2034	—	—	9,863,300.00	16,328,706.26	—	—	—	26,192,006.26
2035	—	—	—	23,409,518.76	—	—	—	23,409,518.76
Total	\$21,840,000.00	\$1,239,000.00	\$104,925,100.00	\$138,544,487.60	\$34,407,500.00	\$20,040,000.00	\$54,314,300.00	\$375,310,387.60

⁽¹⁾ Reflects gross debt service on the 2006 Series D Bonds, which were designated as federally-taxable "Qualified School Construction Bonds" pursuant to an irrevocable election by the District to have Section 6431(f)(3)(B) of the Internal Revenue Code apply thereto. As a result, the District expects to receive, on or about each interest payment date, a cash subsidy (the "Subsidy Payment") from the United States Treasury (the "Treasury") equal to the lesser of (a) the interest payable on such 2006 Series D Bonds or (b) the amount of interest that would have been payable on each such interest payment date if such interest were determined at a federally-determined tax credit rate on the date of the sale of the Series 2006 Series D Bonds. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). The Subsidy Payments are subject to reduction (the "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payments by 6.9% through the end of the current federal fiscal year (September 30, 2017). In the absence of action by the U.S. Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years. However, notwithstanding any such reduction, the County Board of Supervisors is empowered and obligated to levy ad valorem property taxes in an amount sufficient to pay the principal of and interest on the 2006 Series D Bonds. The County will deposit any cash subsidy payments received into a debt service fund for such bonds.

Mello-Roos Community Facilities Districts. In 1989, the District established its Community Facilities District No. 1 (“CFD No. 1”) pursuant to the Mello-Roos Community Facilities Act of 1982 (the “Mello-Roos Act”), to finance school facilities and related school improvements within the Aviara Residential Community and on other sites within the District. CFD No. 1 is located within the District in the southern portion of the City of Carlsbad. The qualified electors of CFD No. 1, by a two-thirds affirmative vote, approved a rate and method of apportionment of an annual special tax on residential and commercial property in CFD No. 1 (the “CFD No. 1 RMA”) and the issuance of not-to-exceed \$14,000,000 in bonded indebtedness.

On April 11, 1990, the District issued its Carlsbad Unified School District Community Facilities District No. 1 (Aviara), Special Tax Bonds, Series 1990 in the aggregate principal amount of \$12,175,000 (“Series 1990 CFD Bonds”) to provide funds to pay costs of the acquisition and construction of certain school facilities. On July 7, 1998, the District issued its 1998 Special Tax Refunding Bonds (CFD No. 1) in the aggregate principal amount of \$12,460,000 (the “1998 Refunding CFD Bonds”) in order to advance refund the outstanding Series 1990 CFD Bonds. The 1998 Refunding CFD Bonds have fully matured and are no longer outstanding.

In 1994, the District established its Community Facilities District No. 3 (“CFD No. 3”) pursuant to the Mello-Roos Act, to finance school facilities and related school improvements within the District. CFD No. 3 is comprised of several non-contiguous properties in the District, the largest portion of which is located in the northeastern portion of the City of Carlsbad. The qualified electors of CFD No. 3, by a two-thirds affirmative vote, approved a rate and method of apportionment of an annual special tax on residential and commercial property in CFD No. 3 and the issuance of not-to-exceed \$175,000,000 in bonded indebtedness. No bonds have been issued by the District on behalf of CFD No. 3. The District receives approximately \$4.5 million each year from the special tax levied within CFD No. 3 and such proceeds are currently being used to offset lease payments due on the 2009 COPs and 2013 Refunding Lease and are expected to be the primary source of the Lease Payments with respect to the Certificates, however, such special tax revenues have not been pledged for the repayment of any of the obligations and no assurance can be given that special tax revenues will be received by the District in an amount sufficient to pay any portion of the Lease Payments or payments under the 2013 Refunding Lease coming due or that the District will elect to use the proceeds from such special taxes for those purposes. See “— Certificates of Participation” and “— Lease Refinancing below. Notwithstanding the receipt of lease revenues, the District is obligated under the Lease to budget and appropriate for Lease Payments in each year from all legally available sources. See also “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES.”

In 1998, the District established its Community Facilities District No. 4 (“CFD No. 4”) pursuant to the Mello-Roos Act to provide funds to plan for, design, acquire, lease, expand, improve, rehabilitate and finance the costs of school and school facilities, real property or other tangible property within the boundaries of CFD No. 4. CFD No. 4, which is located in the City of Carlsbad and lies in the southern portion of the District. The qualified electors of CFD No. 4, by a two-thirds affirmative vote, approved a rate and method of apportionment of an annual special tax on residential and commercial property in CFD No. 4. No bonds have been issued by the District on behalf of CFD No. 4.

In 2012, the District established its Community Facilities District No. 5 (“CFD No. 5”) pursuant to the Mello-Roos Act, to provide funds to design, acquire, construct, lease, expand, improve, rehabilitate and finance any elementary school, middle school, or high school needed by the District to serve the student population generated as a result of the development of property within CFD No. 5. The qualified electors of CFD No. 5, by a two-thirds affirmative vote, approved a rate and method of apportionment of an annual special tax on residential and commercial property in CFD No. 5 and the issuance of not-to-

exceed \$60,000,000 in bonded indebtedness. No bonds have been issued by the District on behalf of CFD No. 5.

On June 18, 2014, the District issued its Community Facilities District No. 1 of the Carlsbad Unified School District Special Tax Bonds, Series 2014 in the aggregate principal amount of \$1,825,000 (the "Series 2014 CFD Bonds") for the purpose of financing certain school facilities. The Series 2014 CFD Bonds are payable from a special tax levied on all taxable parcels within CFD No. 1 pursuant to the CFD No. 1 RMA. The Series 2014 CFD Bonds are special obligations of CFD No. 1, payable solely from the net proceeds of the special tax levied within CFD No. 1. The District's general fund is not a source of payment for the Series 2014 CFD Bonds. CFD No. 1 has covenanted to levy in each year an amount of special taxes at least equal to (i) any amounts necessary to fund specified administration costs of CFD No. 1, and (ii) 110% of the debt service coming due on all outstanding special tax bonds of CFD No. 1 in such year.

The following table shows the debt service on the Series 2014 CFD Bonds.

SERIES 2014 CFD BONDS ANNUAL DEBT SERVICE
Community Facilities District No. 1

Year Ending (September 1)	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2017	\$100,000.00	\$59,677.50	\$159,677.50
2018	105,000.00	56,027.50	161,027.50
2019	105,000.00	52,195.00	157,195.00
2020	110,000.00	48,362.50	158,362.50
2021	115,000.00	44,347.50	159,347.50
2022	120,000.00	40,150.00	160,150.00
2023	125,000.00	35,770.00	160,770.00
2024	130,000.00	31,207.50	161,207.50
2025	135,000.00	26,462.50	161,462.50
2026	140,000.00	21,535.00	161,535.00
2027	145,000.00	16,425.00	161,425.00
2028	150,000.00	11,132.50	161,132.50
2029	<u>155,000.00</u>	<u>5,657.50</u>	<u>160,657.50</u>
Total	<u>\$1,635,000.00</u>	<u>\$448,950.00</u>	<u>\$2,083,950.00</u>

Source: Carlsbad Unified School District.

[REMAINDER OF PAGE LEFT BLANK]

Lease Refinancing. On August 8, 2013, the District entered into a lease agreement with Capital One Public Funding, LLC in the aggregate principal amount of \$6,105,000 (the “2013 Refunding Lease”), the proceeds of which were used to currently refund certain of the District’s then-outstanding lease obligations. The following table summarizes future payment requirements of the District with respect to the 2013 Refunding Lease:

2013 REFUNDING LEASE SEMI-ANNUAL PAYMENTS
Carlsbad Unified School District

<u>Period Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
4/1/2017	—	\$62,860	\$62,860
10/1/2017	\$350,000	62,860	412,860
4/1/2018	—	57,960	57,960
10/1/2018	365,000	57,960	422,960
4/1/2019	—	52,850	52,850
10/1/2019	375,000	52,850	427,850
4/1/2020	—	47,600	47,600
10/1/2020	385,000	47,600	432,600
4/1/2021	—	42,210	42,210
10/1/2021	395,000	42,210	437,210
4/1/2022	—	36,680	36,680
10/1/2022	410,000	36,680	446,680
4/1/2023	—	30,940	30,940
10/1/2023	415,000	30,940	445,940
4/1/2024	—	25,130	25,130
10/1/2024	430,000	25,130	455,130
4/1/2025	—	19,110	19,110
10/1/2025	440,000	19,110	459,110
4/1/2026	—	12,950	12,950
10/1/2026	450,000	12,950	462,950
4/1/2027	475,000	6,650	481,650
Total	<u>\$4,490,000</u>	<u>\$783,230</u>	<u>\$5,273,230</u>

Source: Carlsbad Unified School District.

[REMAINDER OF PAGE LEFT BLANK]

Certificates of Participation. On October 27, 2009, the District executed and delivered the Certificates of Participation (Refunding Project) 2009 Series A in an aggregate principal amount of \$50,710,000 (the “2009 COPs”), the net proceeds of which were used to prepay all of its outstanding (i) Certificates of Participation (1997 Aviara Oaks Middle School Project), Certificates of Participation (2000 School Facility Bridge Funding Program) and Certificates of Participation (2001 School Facility Bridge Funding Program). The proceeds from the sale of the Certificates will be used to prepay all of the outstanding 2009 COPs. See “THE PROJECT AND REFUNDING PLAN” herein.

The following table shows future annual lease payment obligations of the District with respect to the Certificates.

ANNUAL LEASE PAYMENTS – CERTIFICATES OF PARTICIPATION
Carlsbad Unified School District

Year Ending (October 1)	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2017	\$1,700,000	\$1,647,326.31	\$3,347,326.31
2018	1,565,000	1,779,468.76	3,344,468.76
2019	1,640,000	1,701,218.76	3,341,218.76
2020	1,725,000	1,619,218.76	3,344,218.76
2021	1,810,000	1,532,968.76	3,342,968.76
2022	1,895,000	1,442,468.76	3,337,468.76
2023	2,000,000	1,347,718.76	3,347,718.76
2024	2,095,000	1,247,718.76	3,342,718.76
2025	2,205,000	1,142,968.76	3,347,968.76
2026	2,315,000	1,032,718.76	3,347,718.76
2027	2,425,000	916,968.76	3,341,968.76
2028	2,550,000	795,718.76	3,345,718.76
2029	2,680,000	668,218.76	3,348,218.76
2030	2,760,000	561,018.76	3,321,018.76
2031	2,790,000	450,618.76	3,240,618.76
2032	2,475,000	339,018.76	2,814,018.76
2033	2,310,000	240,018.76	2,550,018.76
2034	1,980,000	147,618.76	2,127,618.76
2035	1,550,000	88,218.76	1,638,218.76
2036	<u>1,335,000</u>	<u>41,718.76</u>	<u>1,376,718.76</u>
Total	<u>\$41,805,000</u>	<u>\$18,742,932.75</u>	<u>\$60,547,932.75</u>

[REMAINDER OF PAGE LEFT BLANK]

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same tax rolls as County, city and special district taxes. Assessed valuations are the same for both District and County taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.” A supplemental roll is developed when property changes hands or new construction is completed. Each county levies and collects all property taxes for property falling within that county’s taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments, due November 1 and February 1 respectively and become delinquent on December 10 and April 10 respectively. A 10% penalty attaches to any delinquent installment, plus a minimum \$10 cost on the second installment, plus any additional amount determined by the county treasurer-tax collector. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% 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 tax-collecting authority of the relevant county.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder’s office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also “—Secured Tax Charges and Delinquencies” herein.

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Future assessed valuation growth allowed under Article XIII A (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 K-14 school districts will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuations

Property within the District had a total assessed valuation for fiscal year 2016-17 of \$20,996,783,226. The following table represents an 12-year history of assessed valuations in the District:

ASSESSED VALUATIONS
Carlsbad Unified School District
Fiscal Years 2005-06 through 2016-17

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2005-06	\$11,906,404,299	\$228,898,197	\$665,472,077	\$12,800,774,573
2006-07	13,450,912,455	154,568,964	829,182,550	14,434,663,969
2007-08	14,954,280,288	134,622,112	764,076,024	15,852,978,424
2008-09	16,191,216,493	128,425,804	777,236,122	17,096,878,419
2009-10	16,066,035,712	121,746,018	857,267,082	17,045,048,812
2010-11	15,942,061,027	143,125,804	776,739,847	16,861,926,678
2011-12	15,777,488,319	146,025,804	782,408,112	16,705,922,235
2012-13	15,684,309,743	165,925,804	793,041,360	16,643,276,907
2013-14	16,027,982,766	116,800,000	842,981,609	16,987,764,375
2014-15	17,339,892,057	99,891,000	898,041,290	18,337,824,347
2015-16	18,343,553,082	80,601,000	872,862,734	19,297,025,816
2016-17	19,458,398,988	76,100,000	1,462,284,238	20,996,783,226

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District.

Drought. On January 17, 2014, the State Governor (the "Governor") declared a state-wide Drought State of Emergency. As of such date, the State faced water shortfalls due to the driest year in recorded State history; the State's rivers and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. As part of his State of Emergency declaration, the Governor directed State officials to assist agricultural producers and communities that may be economically impacted by dry conditions. Following the Governor's declaration, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. On April 1, 2015, the Governor issued an executive order mandating certain conservation measures through February 28, 2016. On May 5, 2015, the Water Board adopted an emergency regulation to implement the Governor's April 1, 2015 executive order, the provisions of which went into effect on May 18, 2015. On November 13, 2015, the Governor issued an executive order directing the Water Board to extend the emergency water conservation regulation should the drought conditions persist through January 2016. Following the Governor's executive order, and a result of the State's continuing severe drought, on February 2, 2016, the Water Board adopted a revised emergency regulation to extend water conservation mandates through the end of October 2016. On May 9, 2016, the Governor issued an executive order ordering the Department of Water Resources, the Water Board and the California Public Utilities

Commission to update and extend temporary water restrictions through the end of January 2017, and to take actions to transition to permanent, long-term improvements in water use. Following the Governor's executive order, on May 18, 2016, the Water Board adopted a water conservation approach that replaced the existing statewide percentage-based water conservation measure with a localized "stress test" approach, under which local urban water agencies are required to ensure a three-year supply of water assuming three years of drought conditions. Agencies who project a water shortage at the end of the three-year period under the stress test are required to implement a conservation measure, beginning June 1, 2016 through January 2017, equal to the percentage of water shortage projected.

The District cannot make any representation regarding the effects that the current drought has had, or, if it should continue, may have on the value of taxable property within the District, or to what extent the drought could cause disruptions to economic activity within the boundaries of the District.

Alternative Method of Tax Apportionment

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

The Teeter Plan is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The ad valorem property tax to be levied to pay the interest on and principal of general obligation bonds will be subject to the Teeter Plan, beginning in the first year of such levy. The District will receive 100% of the ad valorem property tax levied to pay the District's general obligation bonds irrespective of actual delinquencies in the collection of the tax by the County. In connection with its adoption of the Teeter Plan, the County advances to the participating taxing agencies an amount equal to 95% of the total prior year's delinquent secured property taxes and assessments (not including penalties and interest) and 100% of the current year's delinquent secured property taxes and assessments outstanding.

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

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. effective as of September 1, 2016. The Debt Report is

included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

[REMAINDER OF PAGE LEFT BLANK]

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Carlsbad Unified School District

2016-17 Assessed Valuation: \$20,996,783,226

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/16</u>
Metropolitan Water District	0.812%	\$ 754,304
Palomar Community College District	0.008	40,377
Carlsbad Unified School District	100.000	173,065,581
Palomar Pomerado Health System	0.098	453,760
City of Carlsbad Community Facilities District No. 3, Improvement Area No. 1	50.657	4,199,465
City of Carlsbad Community Facilities District No. 3, Improvement Area No. 2	100.000	13,015,000
City of Carlsbad 1915 Act Bonds	89.512-100.	<u>29,969,066</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$221,497,553

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	4.494%	\$13,833,880
San Diego County Pension Obligation Bonds	4.494	27,212,069
San Diego County Superintendent of Schools General Fund Obligations	4.494	590,287
Mira Costa and Palomar Community College District General Fund Obligations	21.904-0.008	292,724
Carlsbad Unified School District Certificates of Participation	100.000	46,480,000 ⁽¹⁾
City of Oceanside General Fund Obligations	1.885	388,958
City of Oceanside Pension Obligation Bonds	1.885	554,850
City of Vista General Fund Obligations	0.080	<u>74,532</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$89,427,300

OVERLAPPING TAX INCREMENT DEBT (Successor Agency): \$6,030,000

COMBINED TOTAL DEBT \$316,954,853⁽²⁾

Ratios to 2016-17 Assessed Valuation:

Direct Debt (\$173,065,581)	0.82%
Total Direct and Overlapping Tax and Assessment Debt	1.05%
Combined Direct Debt (\$219,545,581)	1.05%
Combined Total Debt	1.51%

Ratios to Redevelopment Incremental Valuation (\$949,969,766):

Total Overlapping Tax Increment Debt	0.63%
--	-------

⁽¹⁾ Excludes the Certificates described herein, but includes the Prior Certificates.

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

Source: California Municipal Statistics, Inc.

CARLSBAD UNIFIED SCHOOL DISTRICT

Introduction

The District was established as a unified school district in 1921. The District is located in the northwestern portion of San Diego County (the “County”), encompasses approximately 30.2 square miles and serves a resident population of over 110,000. The District provides kindergarten through twelfth grade education services, maintaining nine elementary schools, three middle schools, two high schools, one alternative school and one independent study school. The District’s budgeted average daily attendance for fiscal year 2016–17 is 10,635 and the total fiscal year 2016–17 assessed value of property within the District is \$20,996,783,226.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Carlsbad Unified School District, 6225 El Camino Real, Carlsbad, California 92009, telephone: (760) 331-5000, Attention: Deputy Superintendent, Business Services.

Administration

The District is governed by a five-member Board of Trustees (the “Board”), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their offices and the dates their term expires, are listed below:

BOARD OF TRUSTEES Carlsbad Unified School District

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Claudine Jones	President	December 2018
Elisa Williamson	Vice President	December 2020
Ray Pearson	Clerk	December 2020
Kathy Rallings	Member	December 2018
Veronica Williams	Member	December 2018

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Dr. Suzette Lovely is the Superintendent of the District. Brief biographies of the Superintendent and the Deputy Superintendent, Administrative Services follow:

Benjamin Churchill Ed.D., Superintendent. Dr. Benjamin Churchill became the Superintendent of the District in July 1, 2016. Prior thereto he served as the Chief Academic Officer for Community Unit School District 300 in Alonquin, Illinois for 8 years. In addition, during his 20 year career in education he has served as Assistant Superintendent of Teaching and Learning, high school principal, associate principal of curriculum and instruction and a high school English teacher. Dr. Churchill holds a B.A. in philosophy from Valparaiso University, a M.S. in teaching and learning from DePaul University, a M.S. in school leadership from Northeastern Illinois University and an Ed.D. from Argosy University.

Suzanne O’Connell, Deputy Superintendent, Administrative Services. Suzanne O’Connell became Deputy Superintendent, Administrative Services for the Carlsbad Unified School District in

February, 2013. Prior thereto she served as the District’s Assistant Superintendent of Instructional Services for nine years. Prior to her tenure with the District, Mrs. O’Connell spent eight years in administrative roles for the San Dieguito Union High School District. In addition to her administrative experience in curriculum and educational services, her career in education also includes experience as a mathematics teacher at the elementary, middle, and high school levels. Mrs. O’Connell holds a B.S. from West Chester State University and a M.S. in Educational Administration from Temple University.

Enrollment

On average throughout the District, the regular education pupil-teacher ratio is approximately 26:1 for grades K-3, 31.3:1 in grades 4-5 and 34.5:1 in grades 6-8 and 36:1 in grades 9-12. The following table shows enrollment figures for the District for fiscal years 2007-08 through 2015-16 and a budgeted amount for fiscal year 2016-17.

HISTORICAL ENROLLMENT⁽¹⁾
Carlsbad Unified School District
Fiscal Years 2007-08 through 2016-17

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Annual % Change</u>
2007-08	10,741	—
2008-09	10,695	(0.43)%
2009-10	10,895	1.87
2010-11	11,030	1.24
2011-12	11,047	0.15
2012-13	10,956	(0.82)
2013-14	10,999	0.39
2014-15	11,052	0.48
2015-16	11,085	0.30
2016-17 ⁽²⁾	11,081	(0.04)

(1) Based on October CBEDS enrollment for fiscal years 2007-08 through 2012-13 and CALPADS enrollment for fiscal years 2013-14 through 2015-16.

(2) Budgeted.

Labor Relations

The District currently employs 531.7 certificated employees full time equivalent (“FTE”) and 322.2 classified employees FTE. District employees, except management and some part-time employees, are represented by two bargaining units as noted below:

BARGAINING UNITS
Carlsbad Unified School District

<u>Labor Organization</u>	<u>Number of Employees in Organization</u>	<u>Contract Expiration Date</u>
Carlsbad Unified Teachers Association (“CUTA”)	536	June 30, 2017
Laborers’ International Union of North America (“LIUNA”)	383	June 30, 2016 ⁽¹⁾

(1) Contract negotiations are currently in progress with LIUNA. Members of this labor organization are working under the terms of their expired contract.

Source: Carlsbad Unified School District.

District Retirement Systems

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, neither the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate will increase over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

<u>Effective Date</u>	<u>K-14 school districts</u>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District's contribution to STRS was \$3,258,555 for fiscal year 2011-12, \$3,112,966 for fiscal year 2012-13, \$3,292,809 for fiscal year 2013-14, \$3,991,485 in fiscal year 2014-15 and \$5,087,338 (unaudited) for fiscal year 2015-16. The District has budgeted a contribution of \$6,016,403 to STRS for fiscal year 2016-17.

The State also contributes to STRS, currently in an amount equal to 4.891% of teacher payroll for fiscal year 2015-16. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Pursuant to AB 1469, the State contribution rate will increase over a three year period to a total of 6.328% in fiscal year 2016-17. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014 included 1,580 public agencies and 1,513 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the PERS Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.847% of eligible salary expenditures for fiscal year 2015-16 and 13.888% in fiscal year 2016-17. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6% of their respective salaries for fiscal year 2015-16 and fiscal year 2016-17. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contribution to PERS was \$1,243,887 for fiscal year 2011-12, \$1,226,108 for fiscal year 2012-13, \$1,314,779 for fiscal year 2013-14, \$1,411,828 for fiscal year 2014-15 and \$1,507,812 (unaudited) in fiscal year 2015-16. The District has budgeted a contribution of \$1,955,492 to PERS for fiscal year 2016-17.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
 STRS (Defined Benefit Program) and PERS
 (Dollar Amounts in Millions)⁽¹⁾
 Fiscal Years 2010-11 through 2014-15

<u>STRS</u>					
Fiscal Year	Accrued Liability	Value of	Unfunded	Value of	Unfunded
		Trust Assets (MVA) ⁽²⁾	Liability (MVA) ⁽²⁾⁽³⁾	Trust Assets (AVA) ⁽⁴⁾	Liability (AVA) ⁽⁴⁾
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200

<u>PERS</u>					
Fiscal Year	Accrued Liability	Value of	Unfunded	Value of	Unfunded
		Trust Assets (MVA) ⁽²⁾	Liability (MVA) ⁽²⁾	Trust Assets (AVA) ⁽⁴⁾	Liability (AVA) ⁽⁴⁾
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	— ⁽⁵⁾	— ⁽⁵⁾
2014-15	73,325	56,814	16,511	— ⁽⁵⁾	— ⁽⁵⁾

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets.

⁽³⁾ Excludes assets allocated to the SB PA reserve.

⁽⁴⁾ Reflects actuarial value of assets.

⁽⁵⁾ Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

According to the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2015, the future revenue from contributions and appropriations for the STRS Defined Benefit Program was projected to be sufficient to finance its obligations. This finding reflects the scheduled contribution increases specified in AB 1469 and is based on the valuation assumptions and the valuation policy adopted by the STRS Board.

In recent years, the PERS Board of Administration (the “PERS Board”) has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. As one consequence of such decrease, the annual contribution amounts paid by PERS member public agencies, including the District, have been increased by 1 to 2% for miscellaneous plans and by 2 to 3% for safety plans beginning in fiscal year 2013-14. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board voted to reduce the PERS Discount Rate to 6.5% over a period of 20 years. This change could result in increased contributions over time from both employers and employees.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed

amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions will first be reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved two new standards ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replaced GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes will impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's

financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

The District's share of the net pension liabilities, pension expense and deferred inflow and outflow of resources for STRS and PERS follows:

Pension Plan	Proportionate Share of Net Pension Liability
STRS	\$51,424,546
PERS	<u>12,396,859</u>
Total	<u>\$63,821,405</u>

Source: Carlsbad Unified School District.

For additional information regarding the Statements, see also Appendix C - "2014-15 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT - Note O" herein.

Other Post-Employment Benefits

Benefit Plan. The District provides certain post-employment benefits through a single-employer defined benefit health care plan (the "Plan"). The Plan provides medical benefits to eligible retirees and their eligible dependents to age 65 (the "Post-Employment Benefits"). Eligibility for Post-Employment Benefits requires retirement from the District with at least 10 years of eligible service (15 years for classified employees and certificated employees hired after November 1, 2008). The retirees are required to contribute to the cost of the health care coverage based on an active employee contribution schedule. As of June 30, 2015, membership in the Plan consisted of 765 eligible active employees and 83 eligible retirees.

Funding Policy. The District currently funds the Plan on a "pay-as-you-go" basis to cover the cost of premiums for current retirees. For fiscal year 2013-14 the District recognized \$1,103,358 of Plan expenditures, all of which were used for current premiums. For fiscal year 2014-15 the District recognized \$1,344,349 of Plan expenditures, all of which were used for current premiums. For fiscal year 2015-16 the District recognized \$744,854 (unaudited) of Plan expenditures, all of which were used for current premiums.

For fiscal year 2016-17 the District has budgeted that it will recognize \$1,127,220 of Plan expenditures, all of which are expected to be used for current premiums.

Accrued Liability. The District has implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans, pursuant to which the District has commissioned and received several actuarial studies of its outstanding liabilities with respect to the Post-Employment Benefits. The most recent of these studies (the “Study”), determined that the actuarial accrued liability (“AAL”) with respect to Plan benefits, as of a July 1, 2014 valuation date, was \$26,048,296. The Study also concluded that the annual required contribution (“ARC”) was \$3,505,009 for the fiscal year ending June 30, 2015. The ARC is the amount that would be necessary to fund the value of future benefits earned by current employees during each fiscal year (the “Normal Cost”) and the amount necessary to amortize the AAL, in accordance with the GASB Statements Nos. 43 and 45; the ARC is expected to increase each year based on covered payroll.

As of June 30, 2015, the District recognized a long-term obligation (the “Net OPEB Obligation”) of \$13,175,288 with respect to its accrued liability for the Post-Employment Benefits. The Net OPEB Obligation is based on the District’s contributions towards the ARC during fiscal year 2014-15.

See “CARLSBAD UNIFIED SCHOOL DISTRICT – District Debt Structure – Long-Term Debt” and Appendix C – “2014-15 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note P” herein.

Risk Management

The District is exposed to various 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 (the “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 \$140,710 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, 2015 are indicated below.

Internal Service Funds:	Beginning Fiscal Year <u>Liability</u>	Current Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Ending Fiscal Year <u>Liability</u>
Year 2014-15	\$125,000	\$1,137,448	\$1,121,738	\$140,710
Year 2015-16	140,710	1,115,971	1,092,473	164,208

See also APPENDIX C – “2014-15 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11” and “—Note R” herein.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

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

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value, adjusted for inflation.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition.

Legislation Implementing Article XIII A

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

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

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

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the State Board of Equalization (“SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL MATTERS – State Funding of Education” herein.

Article XIII B of the California Constitution

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

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

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

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

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital

outlay projects as defined by the State Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

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

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

Article XIII C and Article XIII D of the California Constitution

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

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

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or

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

Propositions 98 and 111

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

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B 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 State Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's budget.

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the State Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "Test 2"). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 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 capital personal income. Under Test 3, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a “credit” to schools (also referred to as a “maintenance factor”) which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Jarvis v. Connell

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

Proposition 1A and Proposition 22

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

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State’s authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State’s authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State’s general fund and transportation funds, the State’s main funding source for schools and

community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the LAO on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was expected to be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

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

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, is a proposed constitutional amendment initiative that has qualified for the November 8, 2016 general election in California. Proposition 55 would extend the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30. Under Proposition 55, the Proposition 30 income tax rate increases on high-income Californians would not expire at the end of 2018, as scheduled under current law. The proposal would extend the income tax rate increases through

2030. Tax revenue received under Proposition 55 would be allocated 89% to K–12 schools and 11% to community colleges. Under the proposed constitutional amendment, the sales tax rate increase under Proposition 30 would not be extended. The District can make no representation as to whether Proposition 55 will be approved.

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as “Proposition 2”). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State’s Budget Stabilization Account (the “BSA”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015–16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K–14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15 year period ending with the 2029–30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K–14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the “PSSSA”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K–14 school districts as part of the minimum funding

guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 39, 22, 26 and 30 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the portion of each Lease Payment constituting interest with respect to the Certificates is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Special Counsel, the portion of each Lease Payment constituting interest with respect to the Certificates is exempt from State of California personal income tax. Special Counsel notes that, with respect to corporations, the portion of each Lease Payment constituting interest with respect to the Certificates may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

The difference between the issue price of a Certificate (the first price at which a substantial amount of the Certificates of the same maturity is to be sold to the public) and the stated prepayment price at maturity with respect to such Certificate constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Certificate owner will increase the Certificate owner's basis in the applicable Certificate. The amount of original issue discount that accrues to the owner of the Certificate is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Special Counsel's opinion as to the exclusion from gross income of the portion of each Lease Payment constituting interest (and original issue discount) on the Certificates is based upon certain representations of fact and certifications made by the District and others and is subject to the condition

that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the execution and delivery of the Certificates to assure that the portion of each Lease Payment constituting interest (and original issue discount) on the Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Lease Payment constituting interest (and original issue discount) on the Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District has covenanted to comply with all such requirements.

The amount by which a Certificate owner's original basis for determining loss on sale or exchange in the applicable Certificate (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Certificate premium, which must be amortized under Section 171 of the Code; such amortizable Certificate premium reduces the Certificate owner's basis in the applicable Certificate (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Certificate premium may result in a Certificate owner realizing a taxable gain when a Certificate is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Certificate to the Owner. Purchasers of the Certificates should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Certificate premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (or by an audit of similar certificates). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Certificates to the extent that it adversely affects the exclusion from gross income of interest on the Certificates or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE CERTIFICATES, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST WITH RESPECT TO THE CERTIFICATES OR THE MARKET VALUE OF THE CERTIFICATES. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE CERTIFICATES. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE CERTIFICATES. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE CERTIFICATES, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE CERTIFICATES, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE CERTIFICATES.

Special Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Special Counsel has not undertaken to determine, or to inform

any person, whether any such actions or events are taken or do occur. The Trust Agreement and the Tax Certificate relating to the Certificates permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. Special Counsel expresses no opinion as to the effect on the exclusion from gross income of the portion of each Lease Payment constituting interest (and original issue discount) for federal income tax purposes if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Special Counsel has rendered an opinion that interest (and original issue discount) on the Certificates is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Certificates and the accrual or receipt of interest (and original issue discount) on the Certificates may otherwise affect the tax liability of certain persons. Special Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Certificates, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Certificates.

A copy of the proposed form of opinion of Special Counsel is attached hereto as Appendix B.

CERTAIN LEGAL MATTERS

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California Special Counsel, will render an opinion with respect to the Certificates substantially in the form attached hereto as Appendix B. A copy of such approving opinion will be available at the time of delivery of the Certificates. The payment of fees of Special Counsel is contingent upon the closing of the Certificates transaction.

ENHANCED REPORTING REQUIREMENTS

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

FINANCIAL STATEMENTS

The financial statements with supplemental information for the year ended June 30, 2015, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Wilkinson Hadley King & Co. LLP (the "Auditor") dated December 7, 2015, are included in this Official Statement as Appendix C. In connection with the inclusion of the financial statements and the report of the Auditor thereon in this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report. In the District's audited Financial Statements attached as Appendix C hereto, the District restated the beginning net position as of the beginning of Fiscal Year

2014-15 to retroactively implement GASB Statement Nos. 68 and 71, which require the reporting of the net pension liability of the District's defined benefit pension plan in the financial statements. The effect of such restatement was to reduce such beginning net position by \$87,068,211 as of July 1, 2014. In addition, the District made corrections for compensated absences that were discovered during the year. The effect of such correction was to reduce such beginning position by \$146,954 as of July 1, 2014. See "APPENDIX C - 2014-15 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT- Note U "Adjustments to Beginning Net Position."

ESCROW VERIFICATION

Upon delivery of the Certificates, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to (a) the adequacy of the maturing principal of and interest on the securities in the Escrow Fund, together with any moneys held therein as cash, to pay the redemption price of and interest with respect to the Refunded Certificates and (b) the computations of yield of the Certificates which support Special Counsel's opinion that the interest component of Lease Payments is excluded from gross income for federal income tax purposes.

CONTINUING DISCLOSURE

Current Undertaking. The District will covenant in a Continuing Disclosure Certificate for the benefit of the holders and Beneficial Owners of the Certificates to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District's Fiscal Year (presently ending June 30) (the "Annual Report"), commencing with the report of Fiscal Year ending June 30, 2016, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board through its Electronic Market Municipal Access, located at www.emma.msrb.com. The information on such website is not incorporated herein by any reference. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in Appendix D - "FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "Rule").

Prior Undertakings. The District has previously entered into an undertaking pursuant to the Rule on behalf of CFD No. 1 with respect to the Mello Roos Bonds issued by the CFD No. 1, and various undertakings with respect to the Rule with respect to its previously issued certificates of participation and general obligation bonds.

Within the past five years, the District failed to timely file its audited financial statements for fiscal years 2010-11 and 2012-13 as required with respect to the Mello Roos Bonds. In addition, within the past five years, the District has also failed to timely file certain notices of enumerated events as required by its existing continuing disclosure undertakings. Within the past five years, the District has never filed a notice of a failure to provide annual financial information, on or before the date specified in its prior continuing disclosure agreements.

Wildan Financial Services serves as the dissemination agent for the District, and will undertake the role of dissemination agent for the undertaking in connection with the Certificates.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Certificates, the District and the Corporation will each certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the District or the Corporation threatened, against the District or the Corporation in any material respect affecting the existence of the District or the Corporation or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Certificates or the payment of Lease Payments or challenging, directly or indirectly, the validity or enforceability of the proceedings to lease the Property back from the Corporation, the Trust Agreement, the Lease, the Assignment Agreement or the Site Lease.

There is no action, suit, or proceeding known to be pending or threatened, to restrain or enjoin the execution or delivery of the Certificates, or in any way contesting or affecting the validity of the Certificates or any proceedings of the District taken with respect thereto. The District is not aware of any litigation, pending or threatened, questioning the political existence of the District.

RATING

The Certificates have also been assigned a rating of “AA-” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). The rating reflects only the views of S&P, and any explanation of the significance of such rating should be obtained from the following address: 55 Water Street, New York, New York 10041. There is no assurance that the rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (“EMMA”) notices of any rating changes on the Certificates. See Appendix D - “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. Notwithstanding such covenant, information relating to rating changes on the Certificates may be publicly available from S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Certificates are directed to S&P, its website and official media outlets for the most current rating changes with respect to the Certificates after the initial execution and delivery thereof.

UNDERWRITING

Purchase of Certificates. The Certificates are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”). The Underwriter has agreed, pursuant to a purchase contract (the “Purchase Contract”) by and between the District and the Underwriter, to purchase the Certificates at the purchase price of \$47,653,912.45 (representing the aggregate principal amount evidenced by the Certificates of \$41,805,000.00, plus net original issue premium of \$5,963,509.15, and less an Underwriter’s discount of \$114,596.70). The Purchase Contract provides that the Underwriter will purchase all of the Certificates, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such Contract of Purchase.

Appendix A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the legal documents related to the Certificates which are not described in the Official Statement to which this Appendix is attached. This summary is not intended to be definitive and is qualified in its entirety by reference to the executed versions of the Lease, the Trust Agreement, the Assignment Agreement and the Site Lease for the complete terms thereof. Copies of the Lease, the Trust Agreement, the Assignment Agreement and the Site Lease are available upon request from the District.

DEFINITIONS

The following are summaries of definitions of certain terms used in this Summary of Principal Legal Documents. All capitalized terms not defined therein or elsewhere in the Official Statement have the meanings set forth in the Lease or the Trust Agreement.

“Additional Certificates” means certificates of participation authorized by a supplemental Trust Agreement that are executed and delivered by the Trustee under and pursuant to the Trust Agreement.

“Additional Payments” means all amounts payable by the District as Additional Payments as defined in the Lease.

“Asbestos Containing Materials” means material in friable form containing more than one percent (1%) of the asbestiform varieties of (a) chrysotile (serpentine); (b) crocidolite (ricbeckite); (c) amosite (cummingtonite-grunerite); (d) anthophyllite; (e) tremolite; and (f) actinolite.

“Assignment Agreement” means the Assignment Agreement related to the Certificates, dated as of the date thereof, by and between the Trustee and the Corporation, and any duly authorized and executed amendments thereto.

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

“Business Day” means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions in the State of New York or the State of California or the state in which the Principal Office of the Trustee is located are authorized or required by law or executive order to remain closed.

“Certificate” or “Certificates” means the Carlsbad Unified School District School District, Certificates of Participation (2016 Refunding and School Financing Projects), or any certificate executed and delivered by the Trustee pursuant to the Trust Agreement.

“Certificate of Completion” means a certificate of the District Representative stating that all components of the Project have been completed or concluded in conformity with the requirements of the Lease.

“Certificate Payment Date” means April 1 and October 1 of each year commencing April 1, 2017 with respect to the interest payments evidenced by the Certificates and October 1 of each year commencing October 1, 2017 with respect to the principal payments evidenced by the Certificates.

“Certificate Year” will have the meaning assigned to such term in the Tax Certificate.

“Closing Date” means the date on which the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser thereof.

“Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code will be deemed to be a reference to any successor to any such section.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated as of the Closing Date, executed by the District as it may be amended from time to time in accordance with the terms thereof.

“Contract of Purchase” means that certain contract for the purchase of the Certificates dated as of d_____, 2016 by and between the District and the Original Purchaser, relating to the sale and delivery of the Certificates.

“Corporation” means the Carlsbad Unified School District Educational Facilities Corporation, a nonprofit public benefit corporation organized under the laws of the State, its successors and assigns.

“Corporation Representative” means the President, Vice President, Treasurer, or Secretary of the Corporation, or any other person authorized to act on behalf of the Corporation under or with respect to the Lease.

“Defeasance Securities” means (i) Government Obligations, and (ii) evidences of ownership of proportionate interests in future interest and principal payments on Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Government Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“Delivery Costs” means and further includes all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the Project or refunding of the Prior Certificates from the proceeds of the Certificates, including but not limited to costs provided in the Contract of Purchase with the Original Purchaser, filing and recording costs, settlement costs, printing costs, word processing costs, reproduction and binding costs, initial fees and charges of the Trustee, including its first annual administration fee and the fees of its counsel, legal and financial advisory fees and charges, financing and other professional consultant fees, costs of rating agencies and costs of providing information to such rating agencies, any computer and other expenses incurred in connection with the Certificates, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

“Delivery Costs Requisition” means a written requisition for the payment of Delivery Costs substantially in the form attached as an exhibit to the Trust Agreement.

“Depository” means DTC, or any other securities depository acting as Depository pursuant to the Trust Agreement.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as securities depository for the Certificates.

“District” means the Carlsbad Unified School District School District, a school district organized and existing under the laws and Constitution of the State, and its successors and assigns.

“District Representative” means the Superintendent of the District, the Deputy Superintendent, Administrative Services of the District, the Director of Fiscal Services of the District or any other person authorized by the Superintendent, the Deputy Superintendent, Administrative or the Director of Fiscal Services of the District to act on behalf of the District with respect to the Lease or the Trust Agreement.

“Environmental Regulations” means all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, “CERCLA”), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, “RCRA”), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated

thereunder, "Title III"), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, "CWA"), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, "CAA") and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (together with the regulations promulgated thereunder, "TSCA"), and any state or local similar laws and regulations and any so-called local, state or federal "superfund" or "superlien" law.

"Escrow Agent" means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America.

"Escrow Agreement" means that certain escrow agreement, dated as of November 1, 2016, by and between the District and the Escrow Agent, relating to the refunding of the Prior Certificates.

"Event of Default" means an event of default under the Lease, as defined in the Lease.

"Fiscal Year" means the fiscal year of the District commencing July 1 and ending June 30 of the next year.

"Government Obligations" means non-callable (i) United States Treasury Obligations, (ii) obligations fully and unconditionally guaranteed as to payment of principal and interest by the United States of America, or (iii) obligations fully and unconditionally guaranteed as to payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

"Independent Counsel" means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Corporation, the Trustee or the District.

"Independent Insurance Consultant" means a nationally recognized independent actuary, insurance company or broker that has actuarial personnel experienced in the area of insurance for which the District is to be self-insured, as may from time to time be designated by the District.

"Insolvency Proceeding" means, for purposes of the Trust Agreement, any proceeding by or against the Corporation or the District commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law.

"Laws and Regulations" means any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

"Lease" means the Lease/Purchase Agreement related to the Certificates, dated as of June 1, 2016, by and between the District and the Corporation, and any duly authorized and executed amendments thereto.

"Lease Payment" means any payment required to be paid by the District to the Corporation pursuant to the Lease.

"Lease Payment Date" means the Lease Payment Date defined in the Lease.

"Lease Payment Fund" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Lease Proceeds" means any proceeds of re-letting or any other disposition of the Property pursuant to the Lease.

“Lease Year” means the period extending from October 1 of each calendar year to September 30 of the subsequent calendar year (as applicable), provided that the first Lease Year will commence on the Closing Date and end on September 30, 2017.

“Lessor” means the Carlsbad Unified School District Educational Facilities Corporation, a nonprofit public benefit corporation organized under the laws of the State, its successors and assigns.

“Letter of Representations” means the letter of the District delivered to and accepted by the Depository on or prior to delivery of the Certificates as book-entry certificates making reference to the DTC Operational Arrangements, as it may be amended from time to time setting forth the basis on which the Depository serves as depository for such book-entry certificates, as such letters were originally executed or as they may be supplemented or revised or replaced by letters from the District and the Trustee delivered to and accepted by the Depository.

“Moody’s” means Moody’s Investors Service, or any successors or assigns thereto.

“Net Proceeds” means any proceeds of any insurance, performance bonds or taking by eminent domain or condemnation paid with respect to the Property remaining after payment therefrom of any expenses (including attorneys’ fees) incurred in the collection thereof.

“Net Proceeds Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreement.

“Opinion of Counsel” means a legal opinion issued by Special Counsel addressed to the District, the Corporation and the Trustee.

“Original Purchaser” means Merrill Lynch, Pierce, Fenner & Smith Incorporated, as original purchaser of the Certificates on the Closing Date.

“Outstanding” when used as of any particular time with respect to Certificates, means (subject to the provisions of the Lease) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

- (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Certificates for the payment or prepayment of which funds or Defeasance Securities, together with interest earned thereon, in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and
- (3) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

“Owner” or “Certificate Owner” or “Owner of a Certificate,” or any similar term, when used with respect to a Certificate means the person in whose name such Certificate is registered on the registration books maintained by the Trustee.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as securities depository.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, which are (A) not then delinquent, (B) for taxes (and delinquencies) totaling less than \$250, or (C) which the District may, pursuant to provisions of the Lease, permit to remain unpaid; (ii) the Assignment Agreement; (iii) the Lease; (iv) the Site Lease; (v) any contested right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law to the extent permitted under the Lease; (vi) easements, rights of way, mineral rights, cell tower leases, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District certifies will not materially impair the use of the Property by the District; and (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease and to which the Lessor and the District consent in writing.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for money proposed to be invested therein:

- (a) For all purposes, including to accomplish a defeasance, Defeasance Securities.
- (b) For all purposes other than to accomplish a defeasance, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:
 - (i) Federal Housing Administration debentures.
 - (ii) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - Federal Home Loan Mortgage Corporation (FHLMC)
Participation certificates (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)
Senior Debt obligations
 - Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
Consolidated system-wide bonds and notes
 - Federal Home Loan Banks (FHL Banks)
Consolidated debt obligations
 - Federal National Mortgage Association (FNMA)
Senior debt obligations
Mortgage-backed securities (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - Financing Corporation (FICO)
Debt obligations
 - Resolution Funding Corporation (REFCORP)
Debt obligations
 - (iii) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated “A-1+” or better by S&P or “Prime-1” by Moody's, which may include the Trustee and its affiliates.
 - (iv) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$15 million.
 - (v) Commercial paper (having original maturities of not more than 30 days) rated at the time of purchase “A-1+” or better by S&P and “Prime-1” by Moody's.
 - (vi) Money market funds rated in the highest rating category by S&P and Moody's, including funds for which the Trustee, its parent company, if any, or any affiliates or subsidiaries of the Trustee provide investment advising or other management services

(vii) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(viii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (vii) above and rated "A-1+" by S&P and "MIG-1" by Moody's.

(ix) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (vii) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

(x) Pre-refunded municipal obligations rated by S&P and Moody's at least as high as direct and general obligations of the United States of America, meeting the following requirements:

1. such municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for such municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of such municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

2. such municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

3. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on such municipal obligations ("Verification");

4. the cash or United States Treasury Obligations serving as security for such municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

5. no substitution of a United States Treasury Obligation will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

6. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(xi) Repurchase agreements entered into with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "AA" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "AA" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least "AA" by S&P or "Aa" and Moody's (each an "Eligible Provider"), provided that:

1. the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

2. the Trustee or a third party acting solely as agent therefor or for the District (the "Custodian") has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and the collateral is marked to market;

3. the collateral will be marked to market on a daily basis and the provider or Custodian will send monthly reports to the Trustee and the District setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

4. the repurchase agreement will state that an opinion of counsel will be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Custodian is in possession);

5. all other requirements of S&P and Moody's in respect of repurchase agreements are met.

6. the repurchase agreement will provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the District or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the District or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provisions), collateral levels need not be as specified in (1) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

(xii) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or in the case of a guaranteed corporation the long-term debt is rated at least "AA" (stable) by S&P and "A1" (stable) by Moody's; or in the case of a monoline financial guaranty insurance company, claims paying ability of the guarantor is rated at least "AAA (stable)" by S&P and "Aaa (stable)" by Moody's; provided that, by the terms of the investment agreement:

1. interest payments are to be made to the Trustee at times and in amounts as necessary to pay Lease Payments (or, if the investment agreement is for the construction fund, construction draws) with respect to the Certificates;

2. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the District and the Trustee have agreed to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

3. the provider will send monthly reports to the Trustee and the District setting forth the balance the District or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

4. the investment agreement will state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel will state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

5. the District and the Trustee will receive an opinion of domestic counsel addressed to the District, to the effect that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

6. the District and the Trustee will receive an opinion of foreign counsel to the provider (if applicable) in form and substance acceptable to, and addressed to the District and the Trustee, to the effect that (a) the investment agreement has been duly authorized, executed and delivered by the provider and

constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

7. the investment agreement will provide that if during its term:

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider will, at its option, within ten (10) days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as an agent therefor (a "Custodian") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment, and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the District or the Trustee, within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee;

8. in the event the provider is required to collateralize, permitted collateral will include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations will be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral will be marked to market on a daily basis and the provider or Custodian will send monthly reports to the Trustee and the District setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

9. the investment agreement will state and an opinion of counsel will be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Custodian in possession) and;

10. the investment agreement must provide that if during its term: (i) the provider will default in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the District or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate, and (ii) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate; and

(xiii) Deposits in the Local Agency Investment Fund of the California State Treasurer, to the extent the Trustee is authorized to register such investments in its na.

"Prepayment" means any payment made by the District pursuant to the Lease as a prepayment of Lease Payments.

"Prepayment Fund" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Principal Office” means the principal corporate trust office of the Trustee in St. Paul, Minnesota, or such other office as the Trustee may inform the District of, provided that for transfer, exchange, registration, surrender and payment of Certificates, such term means the office or agency of the Trustee in St. Paul, Minnesota, or such other address as the Trustee may inform the District, or the principal office of any successor trustee pursuant to the Trust Agreement.

“Prior Certificates” means the Carlsbad Unified School District School District Certificates of Participation (Refunding Project) 2009 Series A.

“Project” means the project described in the Lease and any and all substitutions thereto, as provided in the Lease.

“Project Cost Requisition” means a written requisition for the payment of Project Costs substantially in the form attached as an exhibit to the Trust agreement.

“Project Costs” means, with respect to any item or portion of the Project, the contract price paid or to be paid therefor upon acquisition, construction, procurement or improvement thereof, in accordance with a purchase order or contract therefor. Project Costs include, but are not limited to, the administrative, engineering, legal, financial and other costs incurred by the District and the Corporation in connection with the acquisition, construction, procurement, remodeling or improvement of the Project, all applicable sales taxes and other charges resulting from such construction, procurement, remodeling or improvement of the Project and the costs associated with making rebate calculations required by the Code.

“Project Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Property” means the sites, and school facilities thereon further described in the Lease.

“Record Date” means the close of business on the fifteenth day of the month preceding each Certificate Payment Date, whether or not such fifteenth day is a Business Day.

“Related Document” means, for purposes of the Trust Agreement, each of the Lease, the Site Lease and the Assignment Agreement.

“Responsible Officer” means, with respect to the Trustee, the president, every vice president, every assistant vice president, every trust officer and every officer and assistant officer of the Trustee, other than those specifically above mentioned, to whom any corporate trust matter relating to the Trust Agreement is referred because of his or her knowledge of and familiarity with, a particular subject.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, or any successors or assigns thereto.

“Site Lease” means the Site Lease related to the Certificates, dated as of November 1, 2016, by and between the Corporation and the District.

“Special Counsel” means Stradling Yocca Carlson & Rauth, a Professional Corporation, or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt status of interest on obligations issued by states and their political subdivisions and acceptable to the District.

“State” means the State of California.

“Tax Certificate” means the Tax Certificate of the District, dated as of the Closing Date, concerning matters pertaining to the use and investment of proceeds of the Certificates executed and delivered to the District on the date of execution and delivery of the Certificates, including any and all exhibits attached thereto.

“Term” means the time during which the Lease is in effect, as provided in the Lease.

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, and any successor trustee.

“Trust Agreement” or “Agreement” means the Trust Agreement, together with any amendments thereof or supplements thereto permitted to be made thereunder.

“United States Treasury Obligations” means non-callable direct obligations of the United States of America (other than obligations subject to variation in principal repayment).

“Vendors” or “Contractors” means the persons with whom the Lessor, or the District as agent of the Lessor, has contracted for completion of the Project.

THE LEASE AGREEMENT

ACQUISITION, CONSTRUCTION AND INSTALLATION OF THE PROJECT

Deposit of Certificate Proceeds. On the Closing Date, the Lessor has agreed to pay or cause to be paid to the District moneys to be deposited with the Trustee as provided in the Trust Agreement.

Completion of the Project. The District will arrange for, supervise and provide for, or cause to be supervised and provided for, the construction and completion of the Project. The District will enter into one or more contracts or purchase orders providing for completion of the Project.

Payment of Project and Delivery Costs. Payment of the Project Costs and Delivery Costs will be made from the moneys deposited with the Trustee in the Project Fund as provided in the Trust Agreement, which will be disbursed in accordance and upon compliance with the Trust Agreement.

Completion Certification. Upon completion of the portion of the Project to be financed with the Certificates, satisfactory to the District, the District will deliver to the Trustee a Certificate of Completion with respect thereto. On the date of filing the Certificate of Completion, as indicated therein, all excess moneys remaining in the Project Fund will be transferred by the Trustee in accordance with the Trust Agreement.

Substitution of or Addition to the Project. The District will have the right to substitute alternate items for any portion of the Project listed in the Lease or provide for additional components of the Project by providing the Trustee with a written certificate in the form contained in the Lease as an exhibit and so long as such substitution or addition does not cause, in and of itself, the interest represented by the Certificates to be included in gross income for federal income tax purposes.

Compliance with Law.

Public Bidding. The District will comply with all applicable provisions for bids and contracts prescribed by law, including, without limitation, the Public Contract Code, the Education Code, and the Government Code of the State.

Wage Rates and Working Hours. The District will comply with all applicable provisions relating to prevailing wage rates and working hours, as applicable, required by the Education Code of the State.

Field Act Compliance. If applicable, the District will acquire, construct and install the Project in such manner as to comply with the Field Act.

Plans and Specifications. If applicable, the District will prepare and adopt plans and specifications for the acquisition, construction and installation of the Project or portions thereof pursuant to the Education Code of the State.

Further Assurances and Corrective Instruments. The Lessor and the District have agreed that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Lease and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property leased or intended so to be or for carrying out the expressed intention of the Lease.

AGREEMENT TO LEASE; TERM OF LEASE; LEASE PAYMENTS

Lease. The Lessor has leased the Property to the District, and the District has leased the Property from the Lessor, upon the terms and conditions set forth in the Lease. The Lease will not operate as a merger of the District's leasehold estate in the Property pursuant to the Lease and its fee estate in the Property and will not cause the extinguishment of the leasehold interest granted to the Lessor under the Site Lease.

Term. The Term of the Lease will commence on the date of execution thereof and will end on September, 2046, unless extended pursuant to the Lease, or unless terminated prior thereto upon the earliest of any of the following events:

(a) Default and Termination. A default by the District and the Lessor's election to terminate the Lease under the Lease;

(b) Payment of All Lease Payments. The payment by the District of all Lease Payments required under the Lease and any Additional Payments required under the Lease; or

(c) Prepayment. The deposit of funds or Government Obligations with the Trustee in amounts sufficient to pay all Lease Payments as the same will become due, as provided by the Lease and as provided by the Trust Agreement; or

(d) Purchase. Upon the exercise by the District of its option to purchase all of the Lessor's interest in the Property as provided in the Lease; provided, however, that upon exercise by the District of its option to purchase the Lessor's interest in a portion of the Property, as provided in the Lease, the Lease will be terminated only with respect to that portion of the Property.

Extension of Lease Term. If on October 1, 20__, the Certificates shall not be fully paid, or if the Lease Payments thereunder shall have been abated at any time and for any reason, then the Term will be extended until all Certificates shall be fully paid, except that the Term will in no event be extended beyond October 1, 20__.

Lease Payments.

(a) Time and Amount. Subject to the provisions of the Lease regarding abatement in event of loss of use of any portion of the Property, regarding option to purchase and regarding prepayment of Lease Payments, the District has agreed to pay to the Lessor, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments (denominated into components of principal and interest, the interest component being paid semiannually) in the amounts specified in the Lease, to be due and payable in arrears on the fifteenth (15th) day of the month (or if such day is not a Business Day, the next succeeding Business Day) immediately preceding the respective Certificate Payment Dates as specified in the Lease (the "Lease Payment Date") which are sufficient in both time and amount to pay when due the annual principal and interest represented by the Certificates.

In the event the District does not pay a Lease Payment due on the respective Lease Payment Date, the Trustee will provide prompt written notice to the District of such failure to pay; provided, however, that failure to give such notice will not excuse any event of default under the Lease.

(b) Credits. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than accrued or capitalized interest, which will be credited as provided in the Trust Agreement, and other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease and other amounts required for payment of principal with respect to any Certificates not presented for payment or interest) will

be credited towards the Lease Payment then due and payable. No Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid.

(c) Rate on Overdue Payments. In the event the District should fail to make any of the Lease Payments required in the Lease, the Lease Payment in default will continue as an obligation of the District until the amount in default will have been fully paid, and the District has agreed to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable at the rate equal to the original interest rate payable with respect to each Certificate then Outstanding.

No Withholding. Notwithstanding any dispute between the Lessor and the District, including a dispute as to the failure of any portion of the Property in use by or possession of the District to perform the task for which it is leased, the District will make all Lease Payments, and Additional Payments when due and will not withhold any Lease Payments pending the final resolution of such dispute.

Fair Rental Value. The Lease Payments will be paid by the District in consideration of the right of possession of, and the continued quiet use and enjoyment of, the Property during each such period for which said Lease Payments are to be paid. The parties thereto have agreed and determined that such total rental represents the fair rental value of the Property. In making such determination, consideration has been given to the insured value of the Property, other obligation of the parties under the Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the District and the general public, and the transfer of the Lessor's leasehold interest in the Property at the end of the Term. In the event that the District and the Trustee, as assignee of the Lessor, agree subsequent to the date thereof that Lease Payments thereunder are less than the fair rental value of the Property, the District and the Trustee may mutually agree that the District will increase the Lease Payments payable thereunder to reflect such fair rental value; provided, however, that the Trustee may conclusively rely upon an independent appraisal, if any.

Budget and Appropriation. The District has covenanted to take such action as may be necessary to include all Lease Payments, and Additional Payments due under the Lease in its annual budget (to the extent the amounts of such Additional Payments are known to the District at the time its annual budget is proposed) and to make the necessary annual appropriations therefor, and to maintain such items to the extent unpaid for that Fiscal Year in its budget throughout such Fiscal Year. To the extent the amount of such payments becomes known after the adoption of the annual budget, such amounts will be included and maintained in such budget as amended. During the Term, the District will furnish annually, on or before June 30 of each year, to the Trustee a certificate of the District Representative stating that all Lease Payments, and Additional Payments due thereunder for the applicable Fiscal Year have been included in its annual budget and the amount so included. The covenants on the part of the District contained in the Trust Agreement will be deemed to be and will be construed to be duties imposed by law and it will be the ministerial duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the District.

Assignment of Lease Payments. Certain of the Lessor's rights under the Lease, including the right to receive and enforce payment of the Lease Payments, Additional Payments, and Prepayments, to be made by the District thereunder, have been assigned to the Trustee, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the District consents. The Lessor directs the District, and the District has agreed, to pay to the Trustee at the Trustee's principal trust office in St. Paul, Minnesota, or to the Trustee at such other place as the Trustee will direct in writing, all Lease Payments, or Prepayments thereof payable by the District thereunder. The Lessor will not assign or pledge the Lease Payments, Additional Payments, or other amounts derived from the Property and from its other rights under the Lease except as provided under the terms of the Lease, the Assignment Agreement and the Trust Agreement, or its duties and obligations except as provided under the Lease, and any assignments in contravention thereof will be void.

Use and Possession. The total Lease Payments due in any Fiscal Year will be for the District's right to use and possession of the Property for such Fiscal Year.

Abatement of Lease Payments in Event of Loss of Use.

(a) Period. The obligation of the District to pay Lease Payments, Additional Payments will be abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation with respect to any portion of the Property there is substantial interference with the District's right to use and possession of such portion of the Property.

(b) Amount. The amount of such abatement will be determined by the District such that the resulting Lease Payments represent fair consideration for the District's right to use and possession of the portion of the Property not damaged, destroyed or taken. The District will calculate such abatement and will provide the Trustee with a certificate setting forth such calculations and the basis therefor. Such abatement will commence with such damage, destruction or taking and end with the substantial completion of the replacement or work or repair; provided, however, that during abatement, available moneys on deposit in the Lease Payment Fund, and other special sources of money, including without limitation proceeds of rental interruption insurance, will be applied to pay the Lease Payments.

(c) Repair or Replacement. In the event of such abatement, the District will use its best efforts to repair or replace the damaged or destroyed or taken portion of the Property, as the case may be, from Net Proceeds, subject to the requirements of the Lease, or special funds of the District or other moneys the application of which would, in the opinion of Special Counsel addressed to the Trustee, the District and the Lessor, not result in the obligations of the District thereunder constituting indebtedness of the District in contravention of the Constitution and laws of the State.

Additional Payments. In addition to the Lease Payments, the District will also pay such amounts ("Additional Payments") as will be required for the payment of all administrative costs of the Lessor relating to the Property or the Certificates, including without limitation all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, all fees and expenses owed to the Lessor under the Lease, taxes of any sort whatsoever payable by the Lessor as a result of its interest in the Property or undertaking of the transactions contemplated therein or in the Trust Agreement, fees of auditors, accountants, attorneys or engineers, all other necessary administrative costs of the Lessor or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement including premiums or insurance maintained pursuant to the Lease or to indemnify the Lessor and its employees, officers and directors, the Corporation and its agents, successors and assigns and the Trustee.

Net-Net-Net Lease. The Lease will be deemed and construed to be a "net-net-net lease" and the District has agreed that the Lease Payments will be an absolute net return to the Lessor, free and clear of any expenses, charges or set-offs whatsoever, except as expressly provided therein.

INSURANCE

Public Liability and Property Damage.

(a) Coverage. The District will maintain or cause to be maintained, throughout the Term thereof, a standard comprehensive general public liability and property damage insurance policy or policies in protection of the District, the Lessor and their officers, agents and employees. Said policy or policies will provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or operation of any District property or portion thereof.

(b) Limits. Said policy or policies will provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$150,000 (subject to a deductible clause of not to exceed \$50,000) for damage to property resulting from each accident or event. Such public liability and property

damage insurance may, however, be in the form of a single limit policy covering all such risks in an amount equal to the liability limits set forth therein.

(c) Joint or Self-Insurance. Such liability insurance, including the deductible, may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and, subject to compliance with the Lease, may be maintained in the form of self-insurance by the District.

(d) Payment of Net Proceeds. The Net Proceeds of such liability insurance will be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds will have been paid.

Workers' Compensation. The District will also maintain workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Workers' Compensation Insurance and Safety Act now in force in the State, or any act hereafter enacted as an amendment or supplement thereto.

Casualty and Theft Insurance.

(a) Casualty and Theft Insurance: Coverage. The District will procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, insurance against loss or damage to any portion of the Property caused by fire and lightning, with extended coverage and theft, vandalism and malicious mischief insurance, but excluding earthquake and flood insurance to the extent not commercially available at a reasonable cost in the judgment of the District. Said extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

(b) Amount. Such insurance will be in an amount (except that such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss) not less than the greater of (i) replacement cost of the Property and (ii) the aggregate principal amount of the Certificates at the time Outstanding.

(c) Joint or Self-Insurance. Such insurance may be maintained as part of or in conjunction with any other insurance carried or required to be carried by the District, and, subject to compliance with the Lease thereof, may be maintained in the form of self-insurance by the District.

(d) Payment of Net Proceeds. The Net Proceeds of such insurance will be paid to the Trustee and deposited in the Net Proceeds Fund and applied as provided in the Lease.

Rental Interruption Insurance.

(a) Coverage and Amount. The District will maintain or cause to be maintained rental income or use and occupancy insurance in an amount not less than the maximum remaining scheduled Lease Payments in any future 24-month period, to insure against loss of rental income from the Property caused by perils covered by the insurance required to be maintained as provided in the Lease. Notwithstanding the foregoing, rental interruption insurance will not be provided in connection with earthquake or flood events unless commercially available at a reasonable cost in the judgment of the District. Such rental interruption insurance will name the Trustee and the Lessor as additionally secured parties and may not be provided in the form of self-insurance.

(b) Joint Insurance. Such insurance may be maintained as part of or in conjunction with any other rental income insurance carried by the District.

(c) Payment of Net Proceeds. The Net Proceeds of such rental interruption insurance will be paid to the Trustee and deposited in the Lease Payment Fund, to be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

Title Insurance. The District will obtain and, throughout the Term of the Lease, maintain or cause to be maintained title insurance on the Property, in the form of a CLTA title policy, in an amount equal to the aggregate

principal amount of the Certificates Outstanding, issued by a company of recognized standing, duly authorized to issue the same, payable to the Trustee for the benefit of the Owners, subject only to Permitted Encumbrances. Said policy or policies will insure (a) the fee interest of the District in the Property, (b) the Lessor's ground leasehold estate in the Property under the Site Lease, and (c) the District's leasehold estate thereunder in the Property, subject only to Permitted Encumbrances. All Net Proceeds received under said policy or policies will be deposited with the Trustee and applied as provided in the Trust Agreement. So long as any of the Certificates remain Outstanding, each policy of the title insurance obtained pursuant thereto or required thereby will provide that all proceeds thereunder will be payable to the Trustee for the benefit of the Certificate Owners.

General Insurance Provisions.

(a) Form of Policies. All policies of insurance required to be procured and maintained pursuant to the Lease and any statements of self-insurance will be in a form certified by an insurance agent, broker or consultant to the District to comply with the provisions thereof. All such policies will provide that the District will give the Trustee thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby, will be provided by carriers rated in the two highest rating categories without regard to modifiers by S&P or Moody's and at least "A" by A.M. Best Company, Inc. Each policy of insurance required to be procured and maintained pursuant to provisions of the Lease regarding casualty and theft insurance, regarding rental interruption insurance and regarding title insurance will provide that the Trustee and the Corporation is an additional insured and all proceeds thereunder will be payable to the Trustee for the benefit of the Owners.

(b) Payment of Premiums. The District will pay or cause to be paid when due the premiums for all insurance policies required by the Lease, and will promptly furnish or cause to be furnished to the Trustee a certificate to such effect, as described in paragraph (d) below.

(c) Protection of the Trustee. The Trustee will not be responsible for the sufficiency or adequacy of any insurance therein required and will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the District.

(d) Evidence of Insurance. The District will cause to be delivered to the Trustee annually on or before October 1 a certificate stating that the insurance policies required by the Lease are in full force and effect.

(e) Self Insurance. The District may only elect to self insure pursuant to the Trust Agreement and, only if and to the extent such self-insurance method or plan of protection will afford reasonable protection to the Lessor and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by other schools districts in the State other than the District. Any self-insurance maintained by the District pursuant to the Lease will comply with the following terms:

(i) The self-insurance program will be approved in writing by an Independent Insurance Consultant;

(ii) The self-insurance program will include an actuarially sound claims reserve fund out of which each self-insured claim will be paid; the adequacy of such fund will be evaluated on an annual basis by an Independent Insurance Consultant; and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of such Independent Insurance Consultant;

(iii) The self-insured claims reserve fund will be held in a separate trust fund by an independent trustee, which may be the Trustee; and

(iv) In the event the self-insurance program will be discontinued, the actuarial soundness of its claims reserve fund, as determined by an Independent Insurance Consultant, will be maintained.

Cooperation. The Lessor will cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any portion thereof.

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Application of Net Proceeds.

(a) Deposit in Net Proceeds Fund. The District will remit promptly to the Trustee any Net Proceeds received by the District and the Trustee, pursuant to the Trust Agreement, will deposit such Net Proceeds of insurance which it receives in the Net Proceeds Fund as provided in sections the Lease regarding casualty and theft insurance or regarding title insurance, promptly upon receipt thereof. The District and/or the Lessor will transfer to the Trustee any other Net Proceeds received by the District and/or Lessor in the event of any accident, destruction, theft or taking by eminent domain or condemnation with respect to the Property, for deposit in the Net Proceeds Fund.

(b) Disbursement for Replacement or Repair of the Property. Upon receipt of the certification described in paragraph (i) below, and the requisition described in paragraph (ii) below, the Trustee will disburse moneys in the Net Proceeds Fund to the person, firm or corporation named in the requisition as provided in the Trust Agreement.

(i) Certification. The District Representative must certify to the Lessor and the Trustee that:

(A) Sufficiency of Net Proceeds. The Net Proceeds available for such purpose, together with any other funds supplied by the District to the Trustee in a subaccount of the Net Proceeds Fund for such purpose, are expected to equal at least 110% of the projected costs of replacement or repair as demonstrated in an attached reconstruction budget, and

(B) Timely Completion. In the event that damage, destruction or taking results or is expected to result in an abatement of Lease Payments, such replacement or repair can be fully completed within a period not in excess of the period in which rental interruption insurance proceeds, as described in the Lease together with other identified available moneys, will be available to pay in full all Lease Payments coming due during such period as demonstrated in an attached reconstruction schedule.

(ii) Requisition. The District Representative must state with respect to each payment to be made (1) the requisition number, (2) the name and address of the person, firm or corporation to whom payment is due, (3) the amount to be paid and (4) that each obligation mentioned therein has been properly incurred, is a proper charge against the Net Proceeds Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Each such requisition signed by the District Representative will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Any balance of the Net Proceeds remaining after such replacement or repair has been completed and after payment or provision for payment of all Certificates as provided in the Trust Agreement will be paid to the District after payment of amounts due the Trustee pursuant to the Trust Agreement.

(c) Disbursement for Prepayment. If the District Representative notifies the Trustee in writing of the District's determination that the certification provided in the Lease cannot be made or that replacement or repair of any portion of the Property is not economically feasible or in the best interest of the District, then the Trustee will, promptly transfer the Net Proceeds to the Prepayment Fund as provided in the Trust Agreement and apply them to prepayment of the Certificates as provided in the Trust Agreement and prepayment of Lease Payments as provided in the Lease; provided that in the event of damage or destruction in whole of the Property and in the event such Net Proceeds, together with funds then on hand in the Lease Payment Fund are not sufficient to prepay all the Certificates then Outstanding, then the District will not be permitted to certify that repair, replacement or improvement of all of the Property is not economically feasible or in the best interest of the District. In such event, the District will proceed to repair, replace or improve the Property as described therein from legally available funds in the then-current Fiscal Year and will make the required notification to the Trustee pursuant to the Trust Agreement and the Trustee will disburse moneys in the Net Proceeds Fund to the person, firm, or corporation named in the requisition as provided therein.

COVENANTS WITH RESPECT TO THE PROPERTY

Use of the Property. The District represents and warrants that it has an immediate need for, and expects to make immediate use of, all of the Property, which need is not temporary or expected to diminish in the foreseeable future.

Interest in the Property and the Lease.

(a) Lessor Holds Leasehold Interest During Term. During the Term of the Lease, the Lessor does and will hold a leasehold interest in the Property pursuant to the Site Lease. The District will take any and all actions reasonably required, including but not limited to executing and filing any and all documents reasonably required, to maintain and evidence such title and interest at all times during the Term of the Lease.

(b) Title Transferred to the District at End of Term. Upon expiration of the Term as provided in the Lease thereof, all right, title and interest of the Lessor in and to all of the Property will be transferred to and vest in the District, without the necessity of any additional document of transfer.

Option to Purchase. The District may exercise an option to purchase the Lessor's interest under the Site Lease and the Lease in the Property by depositing with the Trustee cash and/or Government Obligations as provided in the Trust Agreement. In such event, all or a portion of the obligations of the District under the Lease, and the security provided by the Lease for said obligations or said portion of the obligations, will cease and terminate as provided in the Lease, excepting in the case all of the Lessor's interest has been purchased, only the obligation of the District to make, or cause to be made, such Lease Payments from such deposit. In the event Lease Payments, and Additional Payments under the Lease, on the date of said deposit, the Lessor's interest in the Property will revert and transfer to the District automatically and without further action by the District or the Lessor, and the Lessor will execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the reversion and transfer of the Lessor's interests in the Property. In the event Lease Payments under the Lease have been paid in part only, on the date of said deposit, the District will specify a discrete portion of the Lessor's interest in the Property for reversion and transfer to the District and the Lessor will execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the reversion and transfer of such portion of the Lessor's interest in the Property; provided, that such portion will revert and transfer to the District only if the reduction in the fair rental value of the Property effected by such reversion and transfer at the time of such reversion and transfer is proportionately less than or equal to the reduction in the maximum annual Lease Payments under the Lease effected by such purchase. Any such deposit will be deemed to be and will constitute a special fund for the payment of Lease Payments in accordance with the Lease.

Quiet Enjoyment. During the Term, the Lessor will provide the District with quiet use and enjoyment of the Property, and the District will during such Term peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Lessor, or any person or entity claiming under or through the Lessor except as expressly set forth in the Lease. The Lessor will, at the request of the District, join in any legal action in which the District asserts its right to such possession and enjoyment to the extent the Lessor may lawfully do so. Notwithstanding the foregoing, the Lessor will have the right to inspect the Property as provided in the Lease.

Installation of the District's Personal Property. The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon any portion of the Property. All such items will remain the sole personal property of the District, regardless of the manner in which the same may be affixed to such portion of the Property, in which neither the Lessor nor the Trustee will have any interest, and may be modified or removed by the District at any time; provided that the District will repair and restore any and all damage to such portion of the Property resulting from the installation, modification or removal of any such items of equipment. Nothing in the Lease will prevent the District from purchasing items to be installed pursuant to the Lease, provided that no lien or security interest will attach to any part of the Property.

Access to the Property. The District has agreed that the Lessor, any Corporation Representative and the Lessor's successors, assigns or designees will have the right at all reasonable times to enter upon the Property or any

portion thereof to examine and inspect the Property. The District has further agreed that the Lessor, any such Corporation Representative, and the Lessor's successors, assigns or designees will have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the District to perform its obligations thereunder.

Maintenance, Utilities, Taxes and Assessments.

(a) Maintenance; Repair and Replacement. Throughout the Term of the Lease, as part of the consideration for the rental of the Property, all repair and maintenance of the Property will be the responsibility of the District, and the District will pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the District or any sublessee thereof. In exchange for the Lease Payments therein provided, the Lessor has agreed to provide only the Property, as thereinbefore more specifically set forth. The District waives the benefits of subsections 1 and 2 of Section 1932 of the California Civil Code, but such waiver will not limit any of the rights of the District under the terms of the Lease.

(b) Tax and Assessments; Utility Charges. The District will also pay or cause to be paid all taxes and assessments, including but not limited to utility charges, of any type or nature charged to the Lessor or the District or levied, assessed or charged against any portion of the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District will be obligated to pay only such installments as are required to be paid during the Term of the Lease as and when the same become due.

(c) Contests. The District may at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom; provided that prior to such nonpayment it will furnish the Lessor and the Trustee with the opinion of an Independent Counsel acceptable to the Lessor and the Trustee, to the effect that, by nonpayment of any such items, the interest of the Lessor in such portion of the Property will not be materially endangered and that the Property will not be subject to loss or forfeiture. Otherwise, the District will promptly pay such taxes, assessments or charges or make provisions for the payment thereof in form satisfactory to the Lessor. The Lessor will cooperate fully in such contest, upon the request and at the expense of the District.

Modification of the Property.

(a) Additions, Modifications and Improvements. Following the completion of the Project, the District will, at its own expense, have the right to make additions, modifications, and improvements to any portion of the Property if such improvements are necessary or beneficial for the use of such portion of the Property. Unless otherwise contracted for or otherwise agreed to by the District, all such additions, modifications and improvements will thereafter comprise part of the Property and be subject to the provisions of the Lease. Such additions, modifications and improvements will not in any way damage any portion of the Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law or in any way which would impair the State tax-exempt status or the exclusion from gross income for federal income tax purposes of interest components of Lease Payments; and the Property, upon completion of any additions, modifications and improvements made pursuant to the Lease, will be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements.

(b) No Liens. Except for Permitted Encumbrances, the District will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any additions, modifications or improvements made by the District pursuant to the Lease; provided that if any such lien is established and the District will first notify or cause to be notified the Lessor of the District's intention to do so, the District may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and will provide the Lessor with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Trustee (as assignee of the Lessor). The Lessor will cooperate fully in any such contest, upon the request and at the expense of the District.

(c) Replacements, Redevelopment and Renovation. Following completion of the Project, the District will, at its own expense, have the right to make replacements, or make additional redevelopments, replacements or renovations to all or a portion of the Property if the conditions in the Trust Agreement, and summarized below, are satisfied:

(i) The District receives an opinion of Special Counsel, a copy of which the District will furnish to the Lessor and the Trustee, that (1) such replacement does not adversely affect the federal income tax exclusion or the State tax-exempt status of the interest components of the Lease Payments, and (2) the Lease will remain the legal, valid, binding and enforceable obligation of the District;

(ii) In the event such replacement, redevelopment or renovation would result in the temporary abatement of Lease Payments as provided in the Lease, the District shall have deposited moneys with the Trustee in advance for payment of Lease Payments from special funds of the District or other moneys, the application of which would not, in the opinion of Special Counsel (a copy of which will have been delivered to the Trustee), result in such Lease Payments constituting indebtedness of the District in contravention of the Constitution and laws of the State;

(iii) The District will certify to the Trustee that it has sufficient funds to complete such replacement, redevelopment or renovation; and

(iv) In the case of replacement or redevelopment, the District certifies to the Trustee certifying that the annual fair rental value of the replacements will be at least equal to the lesser of (1) the annual fair rental value of the Property immediately prior to such replacement or redevelopment, or (2) 150% of the maximum annual Lease Payments under the Lease.

Encumbrances; Alternative Financing Methods.

(a) Encumbrances. Except as provided in the Lease, the District will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, liens, charges, encumbrances or claims, as applicable, on or with respect to the Property, other than Permitted Encumbrances and other than the respective rights of the Lessor and the District as therein provided. Except as expressly provided in the Lease, the District will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time; provided that the District may contest such liens if it desires to do so. The District will reimburse the Lessor for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Alternative Financing Methods. Notwithstanding the foregoing, the District may create or suffer to create any mortgage, pledge, liens, charges, encumbrances or claims upon the Property or any improvements thereto, provided that (1) any such mortgage, pledge, liens, charges, encumbrances or claims will at any time while any of the Certificates remain Outstanding be and remain subordinate in all respects to the Site Lease and Lease and any security interest given to the Trustee for the benefit of the Owners and (2) the District will have first delivered to the Trustee an opinion of Special Counsel substantially to the effect that such mortgage, pledge, liens, charges, encumbrances or claims would not result in the inclusion of the interest portion of Lease Payments in the gross income of the owners of such Certificates for purposes of federal income taxation or impair the State tax-exempt status of such payments.

Lessor's Disclaimer of Warranties. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE PROPERTY, OR ANY PORTION THEREOF. THE DISTRICT ACKNOWLEDGES THAT THE LESSOR IS NOT A MANUFACTURER OF PORTIONS OF THE PROPERTY, AND THAT THE DISTRICT IS LEASING THE PROPERTY AS IS. In no event will the Lessor be liable for incidental, indirect, special or consequential damages, in connection with or arising out of the Lease, the Site Lease, the Assignment Agreement or the Trust Agreement for the existence, furnishing, functioning or the District's use and possession of the Property.

District's Right to Enforce Warranties of Vendors or Contractors. The Lessor has irrevocably appointed the District its agent and attorney-in-fact during the Term of the Lease, so long as the District will not be in default thereunder, to assert from time to time whatever claims and rights, including without limitation, warranty claims, claims for indemnification and claims for breach of any representations, respecting the Property which the Lessor may have against any vendor or contractor. The District's sole remedy for the breach of any such warranty, indemnification or representation will be against the vendor or contractor with respect thereto, and not against the Lessor, nor will such matter have any effect whatsoever on the rights and obligations of the Lessor with respect to the Lease, including the right to receive full and timely Lease Payments and all other payments due thereunder. The District will be entitled to retain any and all amounts recovered as a result of the assertion of any such claims and rights. The Lessor will, upon the District's request and at the District's expense, do all things and take all such actions as the District may request in connection with the assertion of any such claims and rights.

Substitution or Release of the Property. The District will have the right to substitute alternate real property for any portion of the Property described in the Lease thereto or to release a portion of the Property from the lien of the Lease by providing the Trustee with a supplement to the Lease substantially in the form attached thereto. All costs and expenses incurred in connection with such substitution or release will be borne by the District. Notwithstanding any substitution pursuant to the Lease, there will be no reduction in or abatement of the Lease Payments due from the District thereunder as a result of such substitution. No substitution or release will be permitted thereunder unless:

(a) the District finds that the substituted real property (i) has a fair rental value greater than or equal to the fair rental value of the Property to be released so that the Lease Payments secured by the Property to be released being payable by the District pursuant to the Lease will not be reduced and (ii) has an equivalent or greater useful life as the Property to be released and that the useful life of the substituted real property exceeds the remaining term of the Lease Payments thereunder;

(b) the District obtains or causes to be obtained a CLTA title insurance policy with endorsement so as to be payable to the Trustee for the benefit of the Owners. Such policy will comply with the Lease, will be in a form satisfactory to the Trustee and the Lessor, will be in the amount equal to the principal component of Lease Payments attributable to the substituted real property, and will insure the leasehold interest or the fee simple interest of the Lessor or the District, as applicable, to the substituted real property;

(c) the District provides the Lessor and the Trustee with an opinion of Special Counsel that such substitution or release does not cause, in and of itself, the interest evidenced and represented by the Certificates to be included in gross income for federal income tax purposes;

(d) the District will give, or cause to be given, any notice of the occurrence of such substitution or release required to be given pursuant to the Continuing Disclosure Certificate;

(e) upon the substitution of any real property and improvements thereon for all or a portion of the Property then existing, the District, the Lessor and the Trustee will execute and the District will record with the office of the County Recorder, San Diego County, California, any document necessary to reconvey to the District the portion of the Property being substituted and to include the substituted real property and/or improvements thereon as all or a portion of the Property;

(f) the District will certify to the Trustee that the substituted real property is of approximately the same degree of essentiality to the District as the portion of the Property being replaced; and

(g) if the District releases a portion of the Property, the District will certify that the remaining portion of the Property has a sufficient fair rental value so that Lease Payments payable by the District pursuant to the Lease will not be reduced.

Compliance with Law, Regulations, Etc.

(a) The District has, after due inquiry, no knowledge and has not given or received any written notice indicating that the Property or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any Laws and Regulations. Without limiting the generality of the foregoing, neither the District nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of the Property has, other than as set forth in the Lease or as may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA and Title III, and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the District, the Property or the business operations conducted by the District thereon (collectively, "Hazardous Materials") on, from or beneath the Property, (ii) pumped, spilled, leaked, disposed of, emptied, discharged or released (hereinafter collectively referred to as "Release") any material amount of Hazardous Materials on, from or beneath the Property, or (iii) stored any material amount of petroleum products at the Property in underground storage tanks.

(b) Excluded from the representations and warranties in the Lease with respect to Hazardous Materials are those Hazardous Materials in those amounts ordinarily found in the inventory of, or used in the maintenance of school and school related buildings, the use, treatment, storage, transportation and disposal of which has been and will be in compliance with all Laws and Regulations.

(c) No portion of the Property located in an area of high potential incidence of radon has an unventilated basement or subsurface portion which is occupied or used for any purpose other than the foundation or support of the improvements to the Property.

Environmental Compliance.

(a) The District will not use or permit the Property or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the extent, if necessary to maintain the improvements on the Property and then, only in compliance with all Environmental Regulations, and any state equivalent laws and regulations, nor will it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee and agent, the storage, transportation, disposal or use of Hazardous Materials or the Release or threat of Release of Hazardous Materials on, from or beneath the Property or onto any other property excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of a school district, the use, storage, treatment, transportation and disposal of which will be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the District will promptly commence and perform, or cause to be commenced and performed promptly, without cost to the Trustee, all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials so released, on, from or beneath the Property or other property, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained therein, underground storage tanks will only be permitted subject to compliance with the Lease and only to the extent necessary to maintain the improvements on the Property.

(b) The District will comply with, and will cause all tenants, subtenants, licensees, guests, invitees, contractors, employees and agents on the Property to comply with, all Environmental Regulations, and will keep the Property free and clear of any liens imposed pursuant thereto; provided, however, that notwithstanding that a portion of the covenant summarized in this subsection is limited to the District's use of its best efforts, the District will remain solely responsible for ensuring such compliance and such limitation will not diminish or affect in any way the District's obligations contained in the Lease. Upon receipt of any notice from any person with regard to the Release of Hazardous Materials on, from or beneath the Property, the District will give prompt written notice thereof to the Trustee prior to the expiration of any period in which to respond to such notice under any Environmental Regulation.

(c) Irrespective of whether any representation or warranty contained in the Lease is not true or correct, the District will, to the extent permitted by law, defend, indemnify and hold harmless, the Lessor, the Trustee, the Owners, their partners, depositors and each of their respective employees, agents, officers, directors, trustees, successors and assigns, from and against any claims, demands, penalties, fines, attorneys' fees (including, without limitation, attorneys' fees incurred to enforce the indemnification contained in the Lease, consultants' fees, investigation and laboratory fees, liabilities, settlements (five Business Days' prior notice of which the Trustee shall have delivered to the District), court costs, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, occurring in whole or in part, arising out of, or in any way related to, (i) the presence, disposal, release, threat of release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Property, (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened, settlement reached (five Business Days' prior notice of which the Corporation or the Trustee, as appropriate, shall have delivered to the District), or governmental order relating to Hazardous Materials on, from or beneath the Property, (iv) any violation of Environmental Regulations or the Lease by it or any of its agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the District is strictly liable under any Environmental Regulation, its obligation to the Owners and the other indemnitees under the foregoing indemnification will likewise be without regard to fault on its part with respect to the violation of any Environmental Regulation which results in liability to any indemnitee. The obligations and liabilities under the Lease will survive the payment and satisfaction of all Certificates and the resignation and removal of the Trustee.

(d) The District will conform to and carry out a reasonable program of maintenance and inspection of all underground storage tanks, and will maintain, repair, and replace such tanks only in accordance with Laws and Regulations, including but not limited to Environmental Regulations.

Condemnation of Property. The District has covenanted and agreed, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the District will not exercise the power of condemnation with respect to the Property. The District has further covenanted and agreed, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the District will fail or refuse to abide by such covenant and condemns the Property, then the appraised value of the Property will not be less than the greater of: (i) if the Certificates are then subject to prepayment, the principal and interest components of the Certificates outstanding through the date of their prepayment, or (ii) if the Certificates are not then subject to prepayment, the amount necessary to defease the Certificates to the first available prepayment date in accordance with the Trust Agreement.

ASSIGNMENT, SUBLEASING AND AMENDMENT

Assignment by the Lessor. Except as provided therein, in the Trust Agreement and the Assignment Agreement, the Lessor will not assign the Lease to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in the Lease.

Assignment and Subleasing by the District.

(a) Assignment. The Lease may be assigned by the District, so long as such assignment does not, in the opinion of Special Counsel, adversely affect the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest component of the Lease Payments or affect the validity of the Lease. In the event that the Lease is assigned by the District, the obligation to make Lease Payments thereunder will remain the obligation of the District.

(b) Sublease. The District may sublease all or any portion of the Property, with the consent of the Trustee (as assignee of the Lessor), subject to all of the following conditions:

(i) The Lease and the obligation of the District to make Lease Payments thereunder will remain obligations of the District; and

(ii) The District will, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Lessor, S&P and the Trustee a true and complete copy of such sublease;

(iii) No sublease by the District will cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and

(iv) No sublease will cause the interest component of the Lease Payments and due with respect to the Property to become includable in gross income for federal income tax purposes or subject to State personal income taxes.

Amendments and Modifications. The Lease may be amended or any of its terms modified in accordance with the Trust Agreement.

EVENTS OF DEFAULT AND REMEDIES

Events of Default Defined. The following will be “events of default” under the Lease and the terms “events of default” and “default” means, whenever they are used in the Lease, any one or more of the following events:

(a) Payment Default.

(i) Lease Payments. Failure by the District to pay any Lease Payment required to be paid thereunder by the corresponding Lease Payment Date; and

(b) Covenant Default. Failure by the District to observe and perform any warranty, covenant, condition or agreement on its part to be observed or performed therein or otherwise with respect thereto or in the Trust Agreement or in the Site Lease, other than as described in clause (a) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Lessor, the Trustee, or the Owners of not less than twenty percent (20%) in aggregate principal amount of Certificates then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lessor or such Owners, as the case may be, will not unreasonably withhold their consent to an extension of such time, if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected.

(c) Bankruptcy or Insolvency. The filing by the District of a case in bankruptcy, or the subjecting of any right or interest of the District under the Lease to any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may hereafter be enacted.

Remedies on Default. Whenever any event of default referred to in the Lease shall have happened and be continuing, it will be lawful for the Lessor to exercise any and all remedies available pursuant to law or granted pursuant to the Lease, including writs of mandamus. Notwithstanding anything therein or in the Trust Agreement to the contrary, THERE WILL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE LEASE PAYMENTS OR OTHERWISE DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE. After the occurrence of an event of default thereunder, the District will surrender possession of the Property to the Lessor, if requested to do so by the Lessor, the Trustee or the Owners, in accordance with the provisions of the Trust Agreement.

(a) No Termination: Repossession and Re-Lease on Behalf of the District. In the event the Lessor does not elect to terminate the Lease in the manner provided for in the Trust Agreement and described in paragraph (b) below, the Lessor may, with the consent of the District, which consent has been irrevocably given, repossess the Property and re-lease it for the account of the District, in which event the District’s obligation will accrue from year

to year in accordance with the Lease and the District will continue to receive the value of the use of the Property from year to year in the form of credits against its obligation to pay Lease Payments. The obligations of the District will remain the same as prior to such default, to pay Lease Payments, and Additional Payments whether the Lessor re-enters or not. The District has agreed to and will remain liable for the payment of all Lease Payments, and Additional Payments and the performance of all conditions contained therein and will reimburse the Lessor for any deficiency arising out of the re-leasing of the Property, or, in the event the Lessor is unable to re-lease the Property, then for the full amount of all Lease Payments, and Additional Payments to the end of the Term of the Lease, but said Lease Payments, and Additional Payments and/or deficiency will be payable only at the same time and in the same manner as provided above for the payment of Lease Payments, and Additional Payments thereunder, notwithstanding such repossession by the Lessor or any suit brought by the Lessor for the purpose of effecting such repossession of the Property or the exercise of any other remedy by the Lessor.

The District has irrevocably appointed the Lessor as the agent and attorney-in-fact of the District to repossess and re-lease the Property in the event of default by the District in the performance of any covenants contained therein to be performed by the District and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place in the San Diego County, for the account of and at the expense of the District, and the District has agreed to exempt and to save harmless the Lessor from any costs, loss or damage whatsoever arising or occasioned by any such repossession and re-leasing of the Property. The District has waived any and all claims for damage caused or which may be caused by the Lessor in repossessing the Property as provided therein and all claims for damages that may result from the destruction of or the injury to the Property and all claims for damages to or loss of any property belonging to the District that may be in or upon the Property.

The District has agreed that the terms of the Lease constitute full and sufficient notice of the right of the Lessor to re-lease the Property in the event of such repossession without effecting a surrender of the Lease, and has further agreed that no acts of the Lessor in effecting such re-leasing will constitute a surrender or termination of the Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Lease will vest in the Lessor to be effected in the sole and exclusive manner provided for in subparagraph (b) below.

The District will retain the portion of rental obtained by the Trustee, as assignee of the Lessor, that is in excess of the Lease Payments, and Additional Payments, the fees, expenses and costs of the Trustee of re-leasing the Property, and all amounts payable by the District under the Lease and the Trust Agreement.

In the event that the liability of the District under the Lease is held to constitute indebtedness or liability in any year exceeding in any year the income and revenue provided for such year, the Lessor, or the Trustee or the Owners, as assignees of the Lessor, will not exercise the remedies provided in the Lease.

(b) Termination: Repossession and Re-Lease. In the event of the termination of the Lease by the Lessor at its option and in the manner thereafter provided on account of default by the District (and notwithstanding any repossession of the Property by the Lessor in any manner whatsoever or the re-leasing of the Property), the District nevertheless has agreed to pay to the Lessor all costs, losses or damages howsoever arising or occurring payable at the same time and in the same manner as is provided therein in the case of payment of Lease Payments, and Additional Payments. Any proceeds of the re-lease or other disposition of the Property by the Lessor will be deposited into the Lease Payment Fund and be applied in accordance with the provisions of the Trust Agreement. Any surplus received by the Trustee, as assignee of the Lessor, from such re-leasing over total Lease Payments, and Additional Payments that would have been due thereunder and the fees, expenses and costs of the Trustee as assignee of the Lessor on re-leasing the Property will be remitted to the District. Neither notice to pay rent or to deliver up possession of the Property given pursuant to law nor any proceeding taken by the Lessor to recover possession of the Property will of itself operate to terminate the Lease, and no termination of the Lease on account of default by the District will be or become effective by operation of law, or otherwise, unless and until the Lessor shall have given written notice to the District of the election on the part of the Lessor to terminate the Lease. The District has covenanted and agreed that no surrender of the Property for the remainder of the Term thereof or any termination of the Lease will be valid in any manner or for any purpose whatsoever unless stated or accepted by the Lessor by such written notice. No such termination will be effected either by operation of law or act of the parties thereto, except only in the manner therein expressly provided.

(c) The re-leasing of the Property as provided in the Trust Agreement will be subject to the receipt of an opinion of Special Counsel that such re-leasing will not cause the interest component of the Lease Payments to be subject to State personal income tax or adversely affect the exclusion from gross income for federal income tax purposes.

No Remedy Exclusive. No remedy conferred in the Lease upon or reserved to the Lessor is intended to be exclusive and every such remedy will be cumulative and will be in addition to every other remedy given under the Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lessor to exercise any remedy reserved to it in the Lease it will not be necessary to give any notice, other than such notice as may be required in the Lease or by law.

Agreement to Pay Attorneys' Fees and Expenses. In the event either party to the Lease should default under any of the provisions thereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained therein, the defaulting party agrees that it will pay on demand to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

No Additional Waiver Implied by One Waiver. In the event any agreement contained in the Lease should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach thereunder.

Application of the Proceeds from the Re-Lease of the Property. All amounts received by the Lessor under the Lease will, subject to the Trust Agreement, be deposited by the Trustee in the Lease Payment Fund and credited towards the Lease Payments in order of Lease Payment Dates.

Trustee and Owners to Exercise Rights. Such rights and remedies as are given to the Lessor under the Lease have been assigned by the Lessor to the Trustee under the Assignment Agreement, to which assignment the District consents. Such rights and remedies will be exercised by the Trustee and the Owners as provided in the Trust Agreement. To the extent that the Lease confers upon or gives or grants to the Trustee any right, remedy or claim under or by reason of the Lease, the Trustee has been explicitly recognized as being a third-party beneficiary under the Lease and may enforce any such right, remedy or claim conferred, given or granted under the Lease.

MISCELLANEOUS

Binding Effect. The Lease will inure to the benefit of and will be binding upon the Lessor and the District and their respective successors and assigns.

Severability. In the event any provision of the Lease will be held invalid or unenforceable by a court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision thereof.

Applicable Law. The Lease will be governed by and construed in accordance with the laws of the State.

Execution in Counterparts. The Lease may be executed in any number of counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

THE TRUST AGREEMENT

Transfer and Exchange.

(a) **Transfer of Certificates.** Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of the Trust Agreement by the person in whose name it is

registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation at the Principal Office accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee will execute and deliver a new Certificate or Certificates of the same maturity and interest rate, for like aggregate principal amount in authorized denominations. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any transfer will be paid by the District. The Trustee will require the payment by the Certificate Owner requesting such transfer of any tax or governmental charge required to be paid with respect to such transfer, and there will be no other charge to any Certificate Owner for any such transfer.

(b) Exchange of Certificates. Certificates may be exchanged at the Principal Office for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity and interest rate. The Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Certificates and any services rendered or expenses incurred by Trustee in connection with any transfer or exchange will be paid by the District. All Certificates surrendered pursuant to the provisions of the Trust Agreement summarized in this subsection will be cancelled and destroyed by the Trustee and will not be redelivered.

(c) Time for Transfer or Exchange. The Trustee will not be obligated to transfer or exchange any Certificate after a Record Date and before the following Certificate Payment Date, or during the period in which it is selecting Certificates for prepayment, or after notice of prepayment has been given as provided in the Trust Agreement.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, will execute and deliver a new Certificate of like tenor and maturity in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee will be cancelled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity, satisfactory to the Trustee indemnifying the Trustee, the Corporation and the District, will be given, the Trustee, at the expense of the Certificate Owner, will execute and deliver a new Certificate of like tenor and maturity and numbered as the Trustee will determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under the provisions of the Trust Agreement summarized in this subsection and of the expenses which may be incurred by the Trustee in carrying out the duties under the Trust Agreement. Any Certificate executed under the provisions of the Trust Agreement summarized by this paragraph in lieu of any Certificate alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates secured by the Trust Agreement. The Trustee will not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered under or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate will be treated as one and the same. Notwithstanding any other provision of the Trust Agreement summarized in this paragraph, in lieu of delivering a new Certificate in place of one which has been mutilated, lost, destroyed or stolen, and which has matured, or has been called for prepayment, the Trustee may make payment with respect to such Certificate upon receipt of the above-mentioned indemnity.

Payment. Subject to the provisions of the Letter of Representation, payment of interest with respect to any Certificate on any Certificate Payment Date or prepayment date will be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the Record Date immediately preceding such Certificate Payment Date or prepayment date, as the case may be, such interest to be paid by check mailed by first class mail to such Owner on the Certificate Payment Date at his address as it appears on such registration books. Interest with respect to any Certificates may, at the option of any Owner of Certificates in an aggregate principal amount of One Million Dollars (\$1,000,000) or more evidenced by the written request of such Owner to the Trustee, be paid to such Owner by wire transfer to the bank and account number within the United States of America on file with the Trustee as of the Record Date. Payments of defaulted interest will be paid by check of the Trustee mailed by first class mail to the registered Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which will be given to the Owners not less than 15 days prior to such special record date. Subject to the provisions of the Letter of Representation, the principal payable upon maturity or prepayment with respect to the Certificates will be

payable upon surrender at the Principal Office. Said amounts will be payable in lawful money of the United States of America. The Trustee has been authorized to pay or prepay the Certificates when duly presented for payment at maturity or on prepayment and to cancel all Certificates upon payment thereof.

Additional Certificates. Subsequent to the execution and delivery by the Trustee of the Certificates, the Trustee will, upon written request or requests of the District Representative and the Corporation Representative, execute and deliver from time to time one or more series of Additional Certificates in such aggregate principal amount as may be set forth in such written request or requests, provided that there will have been compliance with all of the following conditions, which are made conditions precedent to the preparation, execution and delivery of such Additional Certificates:

(a) The parties to the Trust Agreement will have executed a supplemental agreement setting forth the terms and provisions of such Additional Certificates, including the establishment of such funds and accounts, separate and apart from the funds and accounts established thereunder for the Certificates executed and delivered on the Closing Date, as will be necessary or appropriate;

(b) The principal and interest payable with respect to such Additional Certificates and any premium payable upon prepayment of such Additional Certificates will be payable only on Certificate Payment Dates applicable to the Certificates;

(c) The Lease shall have been amended by the parties thereto if necessary to (i) increase or adjust the Lease Payments due and payable on each Lease Payment Date to an amount sufficient to pay the principal, premium (if any) and interest payable with respect to all Outstanding Certificates, including all Additional Certificates as and when the same mature or become due and payable (except to the extent such principal, premium and interest may be payable out of moneys otherwise on deposit with the Trustee in accordance with the Trust Agreement (ii) if appropriate, amend the definition of "Property" to include as part of the Property all or any portion of additions, betterments, extensions, improvements or replacements, or such other real or personal property (whether or not located upon the Property as such Property is constituted as of the date of the Trust Agreement), to be financed, acquired or constructed by the preparation, execution and delivery of such Additional Certificates, and (iii) make such other revisions to the Lease as are necessitated by the execution and delivery of such Additional Certificates (provided, however, that such other revisions will not prejudice the rights of the Owners of Outstanding Certificates as granted them under the terms of the Trust Agreement);

(d) There shall have been delivered to the Trustee a counterpart of the amendments required by the Trust Agreement;

(e) The Trustee shall have received a certificate of the Corporation Representative that there exists on the part of the Corporation no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default);

(f) The Trustee shall have received a certificate of the District Representative that (i) there exists on the part of the District no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) and (ii) the Lease Payments as increased or adjusted do not exceed in any year the fair rental value of the Property (as such term is defined in the amended Lease);

(g) The Trustee will have received an opinion of Special Counsel substantially to the effect that (i) said supplemental agreement and said amendments to the Lease comply in all respects with the requirements of the Trust Agreement, (ii) said supplemental agreement and said amendments to the Lease have been duly authorized, executed and delivered by each of the respective parties thereto (provided that said opinion of Special Counsel, in rendering the opinions set forth in the Trust Agreement and summarized in this clause (ii), will be entitled to rely upon one or more other opinions of counsel, including counsel to any of the respective parties to said supplemental agreement or said amendments to the Lease), (iii) assuming that no Event of Default has occurred and is continuing, the Trust Agreement, as amended by said supplemental agreement, and the Lease, as amended by the respective amendments thereto, constitute the legal, valid and binding obligations of the respective parties thereto, enforceable against said parties in accordance with their respective terms (except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium, debt adjustment or other laws affecting creditors' rights generally,

and except to the extent that enforcement thereof may be limited by general principles of equity, regardless of whether enforcement is sought in a legal or equitable proceeding) and (iv) the execution of such supplemental agreement and said amendments to the Lease, and performance by the parties thereunder, will not result in the inclusion of the interest portion of any Lease Payments payable with respect to the Certificates, including Additional Certificates, theretofore prepared, executed and delivered, in the gross income of the Owners of the Certificates for purposes of federal income taxation;

(h) The District shall have provided S&P and Moody's written notice of the proposed execution and delivery of such Additional Certificates at the addresses indicated in the Trust Agreement.

(i) There shall have been delivered to the Trustee an endorsement to or reissuance of the title insurance policy delivered under the Lease providing that the insured amount is at least equal to the aggregate principal amount of all of the Certificates and Additional Certificates outstanding upon the execution and delivery of such Additional Certificates;

(j) Such other conditions shall have been satisfied, and such other instruments shall have been duly executed and delivered to the Trustee (with a copy to S&P), as the District or the Corporation shall have reasonably requested.

Upon delivery to the Trustee of the foregoing instruments, the Trustee will cause to be executed and delivered Additional Certificates representing the aggregate principal amount specified in such supplemental agreement, and such Additional Certificates will be equally and ratably secured with all Certificates, including any Additional Certificates, theretofore prepared, executed and delivered, all without preference, priority or distinction (other than with respect to maturity, payment, prepayment or sinking fund payment (if any)) of any one Certificate, including Additional Certificates, over any other; provided, however, that no provision of the Trust Agreement will require the District to consent to or otherwise permit the preparation, execution and delivery of Additional Certificates, it being understood and agreed that any such consent or other action of the District to permit the preparation, execution and delivery of Additional Certificates, or lack thereof, will be in the sole discretion of the District.

PROJECT FUND

Establishment of Project Fund. The Trustee will establish a special fund designated as the "Carlsbad Unified School District School District Certificates of Participation (2016 Refunding and School Financing Projects) Project Fund," referred to in the Trust Agreement as the "Project Fund"; will keep the Project Fund separate and apart from all other funds and moneys held by it; and will administer such fund as provided in the Trust Agreement. The Project Fund will be held and applied by the Trustee in accordance therewith.

Purpose. Moneys in the Project Fund will be expended for Project Costs and Delivery Costs.

Deposit of Moneys; Payment of Project Costs and Delivery Costs.

(a) Deposits. There will be credited to the Project Fund the following amounts: (1) the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement; (2) all investment earnings on moneys held in the various accounts of the Project Fund, which will remain in the account of the Project Fund which generated such earnings until expended or applied to the prepayment of Certificates, as described in the Trust Agreement; and (3) any other deposits made to the Project Fund by the District.

(b) Disbursements. The Trustee will disburse moneys in the Project Fund from time to time to pay Project Costs directly or to reimburse the District for payment of Project Costs, upon receipt (either by mail or by facsimile transmission) by the Trustee of a Project Cost Requisition signed by the District Representative. The Trustee will disburse moneys from the Project Fund to pay Delivery Costs or to reimburse the District for payment of such Delivery Costs upon receipt by the Trustee of a Delivery Cost Requisition signed by the District Representative. The Trustee will be absolutely protected in making any such disbursements in reliance upon a Project Cost Requisition or Delivery Cost Requisition, as applicable, signed by the District Representative. Each

such Project Cost or Delivery Cost Requisition signed by the District Representative will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Transfers of Unexpended Proceeds. Upon the filing with the Trustee of the Certificate of Completion pursuant to the Lease, the Trustee will withdraw all remaining moneys in the Project Fund (other than any moneys retained therein to pay Project Costs not then due and payable and certified by the District Representative) and will either transfer such moneys to the Lease Payment Fund to be applied to the payment of principal and interest evidenced by the Certificates as prescribed in the Trust Agreement, or at the written election of the District, will transfer such moneys to the Prepayment Fund to be applied to the prepayment of Certificates as described in the Trust Agreement or to the District for the purpose of capital expenditures of the District and, following final disbursement of any moneys retained in the Project Fund as described above, will close the Project Fund.

LEASE PAYMENTS; LEASE PAYMENT FUND

Security Provisions.

(a) Assignment of Rights in Lease and Site Lease. The Corporation has, pursuant to the Assignment Agreement, assigned and set over to the Trustee certain of its rights in the Lease and Site Lease, including but not limited to all of the Corporation's rights to receive and collect all of the Lease Payments, Prepayments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease and the Site Lease or pursuant to the Trust Agreement. All such Lease Payments, Prepayments and such other amounts to which the Corporation may at any time be entitled (other than amounts due to the Corporation under the Lease) will be paid directly to the Trustee, and all of the Lease Payments, and Prepayments collected or received by the Corporation will be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee and if received by the Corporation at any time will be deposited by the Corporation with the Trustee within five Business Days after the receipt thereof, and all such Lease Payments will be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund, and all such Prepayments will be forthwith deposited by the Trustee upon the receipt thereof in the Prepayment Fund.

(b) Security Interest in Moneys and Funds. The Corporation and the District, as their interests may appear, have granted to the Trustee for the benefit of the Owners a lien on and a security interest in all moneys in the funds held by the Trustee under the Trust Agreement (excepting only the Rebate Fund and any moneys to be deposited into the Rebate Fund), including without limitation, the Lease Payment Fund, the Prepayment Fund, the Project Fund and the Net Proceeds Fund, and all such moneys will be held by the Trustee in trust and applied to the respective purposes specified therein and in the Lease.

(c) Pledge of Lease Payments and Proceeds. The Lease Payments and any Lease Proceeds are have been irrevocably pledged pursuant to the Trust Agreement to and will be used for the punctual payment of the interest and principal represented by the Certificates and the Lease Payments and Lease Proceeds will not be used for any other purpose while any of the Certificates remain Outstanding. The pledge contained in the Trust Agreement and summarized in this subsection will constitute a first lien on the Lease Payments and Lease Proceeds in accordance with the terms thereof, subject to the Lease.

Establishment of Lease Payment Fund. The Trustee will establish a special fund designated as the "Carlsbad Unified School District School District Certificates of Participation (2016 Refunding and School Financing Projects) Lease Payment Fund." All moneys at any time, from whatever source deposited by the Trustee in the Lease Payment Fund will be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation will have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys will be used and applied by the Trustee as thereafter set forth.

Deposits. There will be deposited in the Lease Payment Fund all Lease Payments and in the Prepayment Fund all Prepayments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Lease, and any other moneys required to be deposited therein pursuant to the Lease, including without limitation provisions of the Lease regarding proceeds of rental interruption insurance or pursuant to the Trust Agreement, which moneys will be applied as a credit towards any Lease Payment then due.

Application of Moneys. Except as provided in the Trust Agreement, all amounts in the Lease Payment Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same will become due and payable, in accordance with the provisions of the Trust Agreement, subject to the requirement that certain investment earnings may be transferred to the Rebate Fund, as provided in the Trust Agreement.

On each Certificate Payment Date, the Trustee first will set aside in the Lease Payment Fund an amount sufficient to pay the interest evidenced by the Certificates becoming due and payable on such date, and mail such amount (or wire transfer as provided in the Trust Agreement) to the Owners; and second will set aside an amount sufficient to pay the principal evidenced by the Certificates becoming due and payable on such Certificate Payment Date.

Surplus. Any funds remaining in the Lease Payment Fund after payment of all Certificates Outstanding, including payment of any applicable fees, expenses or other amounts owed to the Trustee pursuant to the Trust Agreement and any other Additional Payments due under the Lease, or provision made therefor satisfactory to the Trustee, and provision for any amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, will be withdrawn by the Trustee and remitted to the District.

NET PROCEEDS FUND

Establishment of Net Proceeds Fund; Deposits. The Trustee will establish when required a special fund designated as the "Carlsbad Unified School District School District Certificates of Participation (2016 Refunding and School Financing Projects) Net Proceeds Fund," referred to therein as the "Net Proceeds Fund," to be maintained and held in trust for the benefit of the Owners, subject to disbursement therefrom as provided therein. The Trustee will deposit Net Proceeds in the Net Proceeds Fund as provided in the Lease.

Disbursements.

(a) Casualty Insurance. The Trustee will disburse Net Proceeds for replacement or repair of the Property as provided in the Lease, or transfer such proceeds to the Prepayment Fund upon notification of the District Representative as provided in the Lease. Pending such application, such Net Proceeds may be invested by the Trustee as directed by the District in Permitted Investments that mature not later than such times moneys are expected to be needed to pay such costs of repair or replacement. After all of the Certificates have been paid and the entire amount of principal and interest with respect to the Certificates has been paid in full, or provision made for payment satisfactory to the Trustee, including provision for all amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, the Trustee will pay any remaining moneys in the Net Proceeds Fund to the District after payment of any amounts due to the Trustee pursuant to the Trust Agreement and any other Additional Payments due under the Lease.

(b) Title Insurance. Proceeds of any policy of title insurance received by the Trustee with respect to the Property will be applied and disbursed by the Trustee upon the Written Request of the District as follows:

(i) If the District determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease (such determination to be certified by the District in writing), such proceeds will be remitted to the District and used for any lawful purpose thereof; or

(ii) If the District determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease, then the Trustee will immediately deposit such proceeds in the Prepayment Fund and such proceeds will be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

Cooperation. The Corporation and the Trustee will cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any item or portion thereof; provided, however, the Trustee will not be obligated to take any action thereunder if it is not indemnified to its satisfaction from and against any liability or expense arising therefrom.

MONEYS IN FUNDS; INVESTMENT

Held in Trust. The moneys and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the benefit of the Owners and, in the case of the Rebate Fund, for payment as required to the United States Treasury, and for the purposes therein specified, and such moneys, and any income or interest earned thereon, will be expended only as provided in the Trust Agreement, and will not be subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee or the District, or any of them.

Investments Authorized.

(a) By Trustee. Subject to the further provisions of the Trust Agreement, moneys held by the Trustee thereunder will be invested and reinvested on maturity by the Trustee pursuant to the Trust Agreement. The Trustee will report any such investments to the District on a monthly basis in its regular statements. Such investments and reinvestments will be made giving full consideration for the time at which funds are required to be available based upon information supplied by the District.

Investments purchased with funds on deposit in the Lease Payment Fund and Prepayment Fund will mature not later than the Certificate Payment Date or prepayment date, as appropriate, immediately succeeding the investment. Investments purchased with funds on deposit in the Delivery Costs Fund and the Project Fund will not mature later than the dates upon which such funds will be needed to be expended for the payment of Delivery Costs or Project Costs, as applicable.

(b) Upon Direction of the District. The District Representative will direct by facsimile or electronic mail such investment in specific Permitted Investments not less than two Business Days prior to the date that such Permitted Investment is to take effect, confirmed by written order filed with the Trustee. In the event that the District Representative does not so direct the Trustee, the Trustee will invest in the Permitted Investments described in paragraph (B)(5) of the definition thereof contained in the Trust Agreement and summarized under the heading "DEFINITIONS – Permitted Investments" hereof.

(c) Registration. Such investments, if registerable, will be registered in the name of the Trustee for the benefit of the Owners and held by the Trustee or its nominee.

(d) Trustee as Purchaser or Agent. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee or any of its affiliates may act as a sponsor of, or as an advisor to any provider of, Permitted Investments thereunder. The District has acknowledged that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee thereunder.

(e) Trustee Standard of Care. Except as otherwise provided in the Trust Agreement, the Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds or sale of such investment made by it in accordance with the Trust Agreement or disposition made by it in accordance with the Trust Agreement.

Disposition of Investments. Any income, profit or loss on the investment of moneys held by the Trustee thereunder will be credited to the respective fund for which it is held, except as otherwise provided in the Trust Agreement.

Accounting. The Trustee will furnish to the District, not less than monthly, an accounting (which may be in the form of its regular statements) of all investments made by the Trustee and all funds and amounts held by the Trustee; provided, that the Trustee will not be obligated to deliver an accounting for any fund or account that (i) has a balance of zero and (ii) has not had any activity since the last reporting date. The Trustee will keep accurate records of all funds administered by it and of all Certificates paid and discharged.

Valuation and Disposition of Investments.

(a) Valuation. Subject to the provisions of the Trust Agreement, for the purpose of determining the amount in any fund, all Permitted Investments (except investment agreements) credited to such fund will be valued at the lower of the cost or the market price, exclusive of accrued interest. With respect to all funds and accounts, investments will be valued by the Trustee not less often than annually, and as otherwise directed by the District. In making any such valuations, the Trustee may utilize, and conclusively rely upon, such valuation services as may be available to the Trustee, including those within its regular accounting system.

(b) Disposition. Subject to the provisions of the Trust Agreement, the Trustee will sell, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it will be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited.

Commingling of Moneys in Funds. The Trustee may, and upon the written request of the District Representative will, commingle any of the funds held by it pursuant to the Trust Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee thereunder will be accounted for separately notwithstanding such commingling by the Trustee. The District will ensure that any such commingling complies with Section 1.148-4 of the Treasury Regulations, and will provide direction to the Trustee accordingly.

THE TRUSTEE

Appointment of Trustee.

(a) Appointment. U.S. Bank National Association, a national banking association organized under the laws of the United States of America, has been appointed as Trustee by the Corporation and the District.

(b) Qualifications. The Corporation and the District agree that they will maintain a Trustee having a corporate office in New York, New York, San Francisco, California or Los Angeles, California capable of exercising trust powers in the State of California, with a combined capital (exclusive of borrowed capital) and a surplus of at least Seventy-Five Million Dollars (\$75,000,000), or be a member of a bank holding company system, which will have a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or state authority, so long as any Certificates are Outstanding. If such bank, national banking association or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of the Trust Agreement the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(c) Removal. So long as there is no Event of Default then in effect the District may remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto.

(d) Resignation. The Trustee may, upon prior written notice to the District and the Corporation, resign; provided that such resignation will not take effect until the successor Trustee is appointed as provided in the Trust Agreement. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee.

In the event the District does not name a successor Trustee within thirty (30) days of receipt of notice of the Trustee's resignation, then the Trustee may petition a court of suitable jurisdiction to seek the immediate appointment of a successor Trustee.

(e) Successor. Any successor Trustee will be a bank, national banking association or trust company meeting the qualifications as set forth in the Trust Agreement. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the successor Trustee will mail notice thereof to the Owners at their respective addresses set forth on the Certificate registration books maintained pursuant to the Trust Agreement.

Merger or Consolidation. Any company or banking association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company will be eligible under the Trust Agreement, will be the successor to the Trustee without the execution or filing of any paper or further act, anything therein to the contrary notwithstanding.

Protection of the Trustee.

(a) Reliance Upon Papers or Documents. The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, facsimile transmission, electronic mail, request, consent, direction, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it will in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may, in the absence of bad faith on its part, accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

The Trustee has agreed to accept and act upon instructions or directions pursuant to the Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District has agreed to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(b) Reliance Upon Opinions of Counsel. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it thereunder in good faith in accordance therewith. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee which opinion will be made available to the other parties thereto upon request, which counsel may be counsel to any of the parties thereto, or a verified certificate of any party thereto, or both, concerning the proposed action. If it does so in good faith, Trustee will be absolutely protected in relying thereon.

(c) Reliance Upon Requested Certificates. Whenever in the administration of its duties under the Trust Agreement, the Trustee will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be therein specifically prescribed), in the absence of bad faith on its part, will be deemed to be conclusively proved and established by the certificate of the District Representative or the Corporation Representative and such certificate will be full warranty to the Trustee, in the absence of bad faith on its part, for any action taken or suffered under the

provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Rights of the Trustee.

(a) Ownership of Certificates. The Trustee may become the Owner with the same rights it would have if it were not Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee will represent the Owners of the majority in principal amount of the Certificates then Outstanding.

(b) Attorneys, Agents, Receivers. The Trustee may execute any of the trusts or powers thereof and perform the duties required of it thereunder by or through attorneys, agents, or receivers, will not be responsible for the actions or omissions of such attorneys, agents or receivers if appointed by it with reasonable care, and will be entitled to advice of counsel concerning all matters of trust and its duty thereunder; provided that the Trustee will not assign any of its trust responsibilities without the prior written consent of the District.

(c) Funds and Accounts. In addition to the funds and accounts established or required to be established pursuant to the Trust Agreement, the Trustee may establish such additional funds and accounts as it deems necessary or appropriate to perform its duties thereunder.

Standard of Care. So long as there is no Event of Default, (a) the Trustee will not be liable in connection with the performance of its duties thereunder, except for its own negligence or willful misconduct, and (b) the Trustee will only perform those duties specifically set forth therein and no implied duties, covenants or obligations will be read into the Trust Agreement. In the event of and during the continuance of an Event of Default, the Trustee will exercise such care in performing its duties thereunder as a prudent person would exercise in the conduct of his affairs.

Compensation of the Trustee. As an Additional Payment under the Lease, the District will from time to time on demand, pay to the Trustee reasonable compensation for its services and the services of any accountants, consultants, attorneys and other experts as may be engaged by the Trustee to provide services under the Trust Agreement pursuant to a written agreement between the District and the Trustee, and the reimbursement for all expenses incurred in and about the performance of its powers and duties under the Trust Agreement. The District's obligation thereunder will remain valid and binding notwithstanding maturity and payment of the Certificates and resignation or removal of the Trustee.

Indemnification of Trustee. The District will, to the extent permitted by law, indemnify and save the Trustee and its officers, directors, agents, and employees harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition, construction or management of, or from any work or thing done on the Property or the Project by the District, (ii) any breach or default on the part of the District in the performance of any of its obligations under the Trust Agreement and any other agreement made and entered into for purposes of the Property or the Project, (iii) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property or the Project, (iv) any act of negligence of any assignee of, or purchaser from, the District or of any of its or their agents, contractors, servants, employees or licensees with respect to the Property or the Project, (v) the expenditure of Delivery Costs, or (vi) the exercise and performance by the Trustee of its powers and duties thereunder or any related document, (vii) the sale of the Certificates and the carrying out of any of the transactions contemplated by the Certificates or the Trust Agreement or (viii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made in light of the circumstances in which they were made, not misleading in any official statement or other disclosure document utilized in connection with the sale of the Certificates. The indemnification set forth in the Trust Agreement will extend to the Trustee's officers, agents, employees, successors and assigns. No indemnification will be made under the Trust Agreement or elsewhere in the Trust Agreement or other agreements for willful misconduct or negligence by the Trustee, its officers, directors, agents, employees, successors or assigns. The District's

obligations thereunder will remain valid and binding notwithstanding maturity and payment of the Certificates, or the resignation or removal of the Trustee.

In accepting the trust created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, Corporation and the District, having any claim against the Trustee arising from the Trust Agreement will look only to the funds and accounts held by the Trustee thereunder for payment, except as otherwise provided therein or where the Trustee has breached its standard of care as described in the Trust Agreement. Under no circumstances will the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

No provision of the Trust Agreement will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder or in the exercise of any of its rights or powers.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or in the exercise of any right thereunder.

The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement.

Every provision of the Trust Agreement, the Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee will be subject to the provisions of the Trust Agreement.

The Trustee will have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

The Trustee will not to be deemed to have knowledge of any Event of Default thereunder or under the Lease unless a Responsible Officer of the Trustee has actual knowledge thereof at its Principal Office.

The Trustee will not be considered in breach of or in default in its obligations under the Trust Agreement or progress in respect thereto in the event of an unavoidable delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of any of the Owners pursuant to the provisions of the Trust Agreement unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein.

The Trustee may consult with counsel, who may be counsel of or to the District, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith and in accordance with the Trust Agreement.

MODIFICATION OR AMENDMENT OF AGREEMENTS

Amendments Permitted.

(a) With Consent. The Trust Agreement and the rights and obligations of the Corporation, the District, and the Owners under the Trust Agreement may be modified or amended at any time, with notice to Moody's and S&P, by a supplemental agreement or amendment thereto which will become effective with the prior written consent of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement. No such modification or amendment will:

(i) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, or

(ii) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Lease, or

(iii) modify any of the rights or obligations of the Trustee without its written assent thereto, or

(iv) amend the provisions summarized under the subheading "MODIFICATION OR AMENDMENT OF AGREEMENTS – Amendments Permitted" above, without the prior written consent of the Owners of all Certificates then outstanding.

The Trustee will have the right to require such opinions of counsel as it deems necessary concerning (i) the lack of material adverse effect of the amendment on Owners and (ii) that the amendment will not affect the tax status of interest with respect to the Certificates. Any such supplemental agreement or amendments thereto will become effective as provided in the Trust Agreement. The Trustee may rely on an opinion of counsel that each such amendment is authorized or permitted pursuant to the Trust Agreement.

(b) Without Consent. The Trust Agreement, the Lease and the Site Lease, and the rights and obligations of the Corporation, the District and the Owners thereunder, may be modified or amended at any time by a supplemental agreement or amendments thereto, with notice to any rating agency then rating the Certificates, and without the consent of any such Owners, only to the extent permitted by law, and only:

(i) to add to the covenants and agreements of the District and the Corporation thereunder,

(ii) to cure, correct or supplement any ambiguous or defective provision contained therein,

(iii) in regard to matters arising thereunder, as the parties thereto may deem necessary or desirable (which may be based upon opinions as provided in the Trust Agreement), will not adversely affect the interest of the Owners,

(iv) to substitute the Property, or a portion thereof, in accordance with the Lease,

(v) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates,

(vi) to add to the rights of the Trustee,

(vii) to maintain the rating or ratings assigned to the Certificates, or

(viii) to provide for the execution and delivery of Additional Certificates in accordance with the provisions of the Trust Agreement.

No such modification or amendment, however, will modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement will become effective upon execution and delivery by the parties thereto as the case may be. The Trustee may rely upon an opinion of counsel that each amendment is authorized or permitted by the Trust Agreement.

Procedure for Amendment with Written Consent of the Owners. The Trust Agreement, the Site Lease or the Lease may be amended by supplemental agreement as provided in the Trust Agreement in the event the consent of the Owners is required pursuant to the Trust Agreement. Such supplemental agreement, together with a request to the Owners for their consent thereto, will be mailed by the Trustee to each Owner of a Certificate at his address as set forth in the Certificate registration books maintained pursuant to the Trust Agreement, but failure to receive copies of such supplemental agreement and request so mailed will not affect the validity of the supplemental agreement when assented to as in the Trust Agreement provided.

Such supplemental agreement will not become effective unless there will be filed with the Trustee the written consent of the Owners of at least a majority in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in the Trust Agreement) and notices will be mailed as hereinafter in the Trust Agreement provided. Any such consent will be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in the Trust Agreement provided for has been mailed.

After the Owners of the required percentage of Certificates shall have filed their consent to such supplemental agreement, the Trustee will mail a notice to the Owners of the Certificates in the manner provided in the Trust Agreement for the mailing of such supplemental agreement, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in the Trust Agreement (but failure to mail copies of said notice will not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by the Trust Agreement to be filed with the Trustee, will be proof of the matters therein stated until the contrary is proved. The Trustee may obtain and conclusively rely on an opinion of counsel with regard to such matters.

Disqualified Certificates. Certificates owned or held by or for the account of the District or the Corporation or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the District or the Corporation (except any Certificates held in any pension or retirement fund) will not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in the Trust Agreement, and will not be entitled to vote upon, consent to, or take any other action provided for in the Trust Agreement. Upon request of the Trustee, the District and the Corporation will specify in a certificate to the Trustee those Certificates disqualified pursuant to the Trust Agreement and the Trustee may conclusively rely on such certificate.

The District or the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in the Trust Agreement will be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in the Trust Agreement.

Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to the Trust Agreement, the Trust Agreement, the Lease or the Site Lease, as the case may be, will be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties thereto and all Owners of Certificates Outstanding, as the case may be, will thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement will be deemed to be part of the terms and conditions of the Trust Agreement or the Lease, as the case may be, for any and all purposes.

Endorsement or Replacement of Certificates Delivered After Amendments. The Trustee may determine that Certificates delivered after the effective date of any action taken as provided in the Trust Agreement will bear a notation, by endorsement, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Outstanding Certificate at such effective date and presentation of his Certificate for such

purpose at the Principal Office, a suitable notation will be made on such Certificate. The District may determine that new Certificates, so modified as in the opinion of the District is necessary to conform to such Owner's action, will be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such new Certificate will be exchanged in the Principal Office without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Certificate.

Amendatory Endorsement of Certificates. Subject to the Trust Agreement, the provisions of the Trust Agreement will not prevent an Owner from accepting any amendment as to the particular Certificates held by him, provided that due notification thereof is made on such Certificates.

Copies of Amendments Delivered to Moody's and S&P. Copies of any modifications or amendments to the Trust Agreement, the Lease, the Site Lease or the Assignment Agreement will be delivered by the District to Moody's and S&P at least 10 days prior to the effective date thereof.

COVENANTS; NOTICES

Compliance With and Enforcement of the Lease. The District has covenanted and agreed with the Owners to perform all obligations and duties imposed on it under the Lease. The Corporation has covenanted and agreed with the Owners to perform all obligations and duties imposed on it under the Lease.

The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Lease by the Corporation thereunder. The Corporation and the District, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the District, will deliver the same, or a copy thereof, to the Trustee.

Payment of Taxes. The District will pay all taxes as provided in the Lease.

Observance of Laws and Regulations. The District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, including its right to exist and carry on business as a school district, to the end that such rights, privileges and franchises will be maintained and preserved, and will not become abandoned, forfeited or in any manner impaired.

Prosecution and Defense of Suits. The District will promptly, and also upon request of the Trustee or any Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Property, whether now existing or hereafter developing and will prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee, and every Owner harmless from all loss, cost, damage and expense including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

District Budgets. In accordance with the Lease, the District Representative will certify to the Trustee on or before July 1 of each year that the District has included all Lease Payments (other than Lease Payments of advance rental) and Additional Payments due under the Lease in the Fiscal Year covered by its annual budget and the amount so included. If the District fails to certify that it has included all such Lease Payments, and Additional Payments in such annual budget, the Trustee will promptly provide the District written notice specifying that the District has failed to observe and perform its covenant and agreement in the Lease and requesting that such failure be remedied within 30 days, or such failure will constitute an Event of Default under the Lease. The Trustee will forward a copy of such notice to the Corporation. Upon receipt of such notice, the District will notify the Trustee of the proceedings proposed to be taken by the District, and will keep the Trustee advised of all proceedings thereafter taken by the District.

Further Assurances. The Corporation and the District will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement, and for the better assuring and confirming unto the Owners the rights and benefits provided therein.

Continuing Disclosure. The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate will not be considered an Event of Default or an event of default thereunder; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under the Trust Agreement and the Continuing Disclosure Certificate.

LIMITATION OF LIABILITY

Limited Liability of the District. Except for the payment of Lease Payments, Additional Payments and Prepayments when due in accordance with the Lease and the performance of the other covenants and agreements of the District contained therein and in the Lease, the District will have no obligation or liability to any of the other parties or to the Owners with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee.

No Liability of the District or Corporation for Trustee Performance. Except as expressly provided therein, neither the District nor the Corporation will have any obligation or liability to any other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Limited Liability of Trustee.

(a) No Investment Advice. The Trustee will have no obligation or responsibility for providing information to the Owners concerning the investment character of the Certificates.

(b) Sufficiency of the Trust Agreement or Lease Payments. The Trustee makes no representations as to the validity or sufficiency of the Certificates, will incur no responsibility in respect thereof, other than in connection with the duties or obligations therein or in the Certificates assigned to or imposed upon it. The Trustee will not be responsible for the sufficiency or enforceability of the Lease, the Site Lease or the Assignment Agreement. The Trustee will not be liable for the sufficiency or collection of any Lease Payments or other moneys required to be paid to it under the Lease (except as provided in the Trust Agreement), its right to receive moneys pursuant to said Lease, or the value of or title to the Property.

(c) Actions of Corporation and the District. The Trustee will have no obligation or liability to any of the other parties or the Owners with respect to the Trust Agreement or failure or refusal of any other party to perform any covenant or agreement made by any of them under the Trust Agreement or the Lease, but will be responsible solely for the performance of the duties and obligations expressly imposed upon it thereunder as provided in the Trust Agreement.

(d) Recitals and Agreements of Corporation and the District. The recitals of facts, covenants and agreements therein and in the Certificates contained will be taken as statements, covenants and agreements of the District or the Corporation (as the case may be), and the Trustee assumes no responsibility for the correctness of the same.

Limitation of Rights to Parties and Certificate Owners. Nothing in the Trust Agreement or in the Certificates expressed or implied is intended or will be construed to give any person other than the District, the Corporation, the Trustee and the Owners, any legal or equitable right, remedy or claim under or in respect of the Trust Agreement or any covenant, condition or provision thereof; and all such covenants, conditions and provisions are and will be for the sole and exclusive benefit of the District, the Corporation, the Trustee and the Owners.

No Liability of the Corporation to the Owners. Except as expressly provided therein, the Corporation will not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the District or with respect to the observance or performance by the District of the other agreements, conditions, and covenants imposed upon the District by the Lease or by the Trust Agreement.

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Assignment of Rights. The parties thereto acknowledge that pursuant to the Assignment Agreement the Corporation has transferred, assigned and set over to the Trustee for the benefit of the Owners, certain of the Corporation's rights under the Lease and the Site Lease.

Events of Default.

(a) Remedies. If an Event of Default will happen, then, and in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease; provided, however, that notwithstanding anything therein or in the Lease, including writs of mandamus to the contrary, THERE WILL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE MATURITIES OF THE CERTIFICATES OR OTHERWISE TO DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE. The Lease has been incorporated by reference.

(b) Actual Knowledge. The Trustee will not be deemed to have knowledge of any Event of Default unless and until a Responsible Officer shall have actual knowledge thereof, or shall have received written notice thereof at its Principal Office.

(c) Action on Default. If an Event of Default (within the meaning of the Lease) will happen, then such Event of Default will constitute an Event of Default thereunder. The Trustee may give notice, as assignee of the Corporation, of an Event of Default under the Lease or under the Trust Agreement to the District, and will do so if directed to do so by the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding. In each and every case during the continuance of an Event of Default, the Trustee (a) may, at the direction of the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding, and (b) will, after being indemnified to its satisfaction, upon notice in writing to the District and the Corporation, exercise any of the remedies granted to the Corporation under the Lease and may, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Trust Agreement or by the Certificates, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Trust Agreement.

Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement or of the Lease, will be deposited into the Lease Payment Fund and be applied by the Trustee after payment of all amounts due and payable under the Trust Agreement and the Lease in the following order upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, Costs and Expenses: to the payment of the costs, fees and expenses of the Trustee and then of the Owners in declaring such Event of Default and in performing its duties thereunder, including reasonable compensation to its or their agents, attorneys and counsel;

Second, Interest: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installment, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal with respect to any Certificates which will have become due, whether at maturity or by call for prepayment, in the order of their due dates, with interest on the overdue principal and interest at a rate equal to the rate paid with respect to the Certificates and, if the amount available will not be sufficient to pay in full all the amounts due with respect to the Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Institution of Legal Proceedings. If one or more Events of Default will happen and be continuing, the Trustee may, and, upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of the Owners by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement or the Lease, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee will deem most effectual in support of any of its rights or duties thereunder; provided that such written request will not be otherwise than in accordance with provisions of law and the Trust Agreement and that the Trustee will have the right to decline to follow any such written request if the Trustee will be advised by counsel that the action or proceeding so requested may not be taken lawfully or if the Trustee in good faith will determine that the action or proceeding so requested would be unjustly prejudicial to the Certificate Owners not a party to such written request or expose the Trustee to liability.

Non Waiver. Nothing in the Trust Agreement or in the Certificates will affect or impair the obligation of the District which is absolute and unconditional, to pay or prepay the Lease Payments or Additional Payments as provided in the Lease. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by the Trust Agreement to the Trustee or to the Owners may be exercised from time to time and as often as will be deemed expedient by the Trustee or the Owners.

Remedies Not Exclusive. No remedy therein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy, and every such remedy will be cumulative and will be in addition to every other remedy given thereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, will have taken any action, by judicial proceedings or otherwise, pursuant to its duties thereunder, whether upon its own discretion, or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it will have full power, in the exercise of its discretion for the best interest of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Outstanding Certificates thereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate executed thereunder will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Lease; (b) the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers thereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) there shall have been a default in the payment of such Owner's proportionate interest in the Lease Payments as the same become due.

Such notification, request, tender of indemnity, refusal or omission, and default are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy thereunder; it being understood and intended that no one or more Owners will have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner therein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Lease Payments as the same become due, or to institute suit for the enforcement of such payment, will not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of the Trust Agreement or any other provision of the Trust Agreement.

Agreement to Pay Attorneys' Fees and Expenses. In the event any party to the Trust Agreement should default under any of the provisions thereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or observance of any obligation or agreement on the part of the defaulting party contained therein, the defaulting party has agreed that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

MISCELLANEOUS

Defeasance.

(a) Methods. If and when any Outstanding Certificates will be paid and discharged in any one or more of the following ways –

(i) Payment or Prepayment: by well and truly paying or causing to be paid the principal, interest and prepayment premiums (if any) with respect to such Certificates Outstanding, as and when the same become due and payable;

(ii) Cash: prior to maturity, by depositing with the Trustee (or such other independent escrow agent as the District may select), in trust, an amount of cash which (together with cash then on deposit in the Lease Payment Fund, together with the interest to accrue thereon, in the event of payment or provision for payment of all Outstanding Certificates) is fully sufficient to pay and discharge such Certificates Outstanding (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date or

(iii) Defeasance Securities: prior to maturity, by irrevocably depositing with the Trustee (or such other independent escrow agent as the District may select), in trust, Defeasance Securities together with cash, if required (including cash then on deposit in the Lease Payment Fund, in the event of payment or provision for payment of all Outstanding Certificates), if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon, be fully sufficient to pay and discharge such Certificates (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date;

and all other amounts due thereunder have been paid in full, then, notwithstanding that any Certificates will not have been surrendered for payment, all obligations of the Corporation, the Trustee and the District with respect to such Certificates will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the District from funds deposited pursuant to provisions of the Trust Agreement summarized in (i) and (iii) above, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to the provisions of the Trust Agreement summarized in (ii) and (iii) above, the Certificates will continue to represent direct and proportionate interests of the Owners thereof in Lease Payments under the Lease.

(b) Surplus Moneys. Any funds held by the Trustee, at the time of payment or provision for payment of all Outstanding Certificates pursuant to the one of the procedures of the Trust Agreement described in paragraphs (a)(i) through (a)(iii) above, which are not required for the payment to be made to Owners, will be paid over to the

District, after the payment of any amounts due to the Trustee pursuant to the Trust Agreement, and any other Additional Payments due under the Lease.

(c) Surviving Provisions. Notwithstanding the satisfaction and discharge thereof, the Trustee will retain such rights, powers and privileges thereunder as may be necessary or convenient for the payment of the principal, interest and prepayment premium, if any, with respect to the Certificates and for the registration, transfer and exchange of the Certificates.

(d) Opinions and Reports. Prior to any defeasance becoming effective under the Trust Agreement, the District will cause to be delivered (i) an executed copy of a report, addressed to the Trustee and the District, in form and substance acceptable to the Trustee and the District, of a nationally recognized firm of certified public accountants, verifying that the Defeasance Securities and cash, if any, satisfy the requirements of the Trust Agreement, (ii) a copy of the escrow deposit agreement entered into in connection with such defeasance, (iii) a copy of an Opinion of Counsel, dated the date of such defeasance and addressed to the Trustee and the District, in form and substance acceptable to the Trustee and the District, covering the validity and enforceability of the escrow agreement and substantially to the effect that such Certificates are no longer Outstanding under the Trust Agreement, and (iv) a certificate of discharge of the Certificates from the Trustee.

Non-Presentation of Certificates. In the event any Certificate will not be presented for payment when the principal with respect thereto becomes due, either at maturity, or at the date fixed for prepayment thereof, if moneys sufficient to pay such Certificate shall have been deposited in the Prepayment Fund or Lease Payment Fund, as applicable, all liability of the District to the Owner thereof for payment of such Certificate will forthwith cease, terminate and be completely discharged, and thereupon it will be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the Owner of such Certificate who will thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under the Trust Agreement or on, or with respect to, said Certificate.

Any moneys so deposited with and held by the Trustee not so applied to the payment of interest or principal with respect to Certificates within two (2) years after the date on which the same shall have become due will be paid by the Trustee to the District, free from the trusts created by the Trust Agreement. In addition, Trustee will be indemnified from and against any and all liabilities to third parties resulting from its actions under the Trust Agreement. Thereafter, Owners will be entitled to look only to the District for payment, and then only to the extent of the amount so repaid by the Trustee. The District will not be liable for any interest on the sums paid to it pursuant to the provisions of the Trust Agreement summarized in this paragraph and will not be regarded as a trustee or trustees of such money.

Acquisition of Certificates by District. All Certificates acquired by the District, whether by purchase, gift or otherwise, will be surrendered by the District to the Trustee for cancellation.

Records. The Trustee will keep complete and accurate records of all moneys received and disbursed by it under the Trust Agreement, which will be available for inspection by the District, the Corporation and any Owner, or the agent of any of them, at any time during regular business hours upon reasonable prior notice.

Waiver of Notice. Whenever in the Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Separability of Invalid Provisions. In case any one or more of the provisions contained in the Trust Agreement or in the Certificates will for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability will not affect any other provision of the Trust Agreement, and the Trust Agreement will be construed as if such invalid or illegal or unenforceable provision had never been contained therein. The parties thereto declare that they would have entered into the Trust Agreement and each and every other section, paragraph, sentence, clause or phrase thereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of the Trust Agreement may be held illegal, invalid or unenforceable.

Interested Parties.

Parties Interested therein. Nothing in the Trust Agreement expressed or implied is intended or will be construed to confer upon, or to give grant to any person or entity, other than the District, the Corporation, the Trustee, and the Owners of the Certificates, any right, remedy or claim under or by reason of the Trust Agreement or any covenant, condition or stipulation thereof, and all covenants, stipulations, promises and agreements in the Trust Agreement contained by and on behalf of the District will be for the sole and exclusive benefit of the District, the Corporation, the Trustee, and the registered owners of the Certificates.

THE ASSIGNMENT AGREEMENT

The Assignment Agreement provides for the transfer, assignment and setting over by the Corporation to the Trustee, for the benefit of the Owners of Certificates, all of the Corporation's rights under the Lease (excepting only the Corporation's rights to recover attorneys' fees and expenses in the event the Corporation is a non-defaulting party to the Lease after a default), including, without limitation, (1) the right to receive and collect all of the Lease Payments, Additional Payments and Prepayments from the District under the Lease; (2) the right to receive and collect any proceeds of any insurance maintained pursuant to the Lease, or any condemnation award rendered with respect to the Property or any lease of the Property in the event of a default by the District under the Lease; (3) the right to take all actions and give all consents under the Lease; (4) the right to exercise such rights and remedies conferred on the Corporation under the Lease as may be necessary or convenient (a) to enforce payment of the Lease Payments, Additional Payments, Prepayments and any other amounts required to be deposited in the Lease Payment Fund, the Prepayment Fund, the Net Proceeds Fund or any other fund established under the Trust Agreement, or (b) otherwise to protect the interests of the Corporation in the event of a default by the District under the Lease; and (5) the right of the Corporation to receive rentals in excess of Lease Payments as compensation for re-letting the Property upon events of default under the Lease. The Trustee accepts such assignment for the benefit of the Owners of the Certificates, subject to the provisions of the Trust Agreement.

THE SITE LEASE

Pursuant to the Site Lease, the District, as lessor, leases to the Corporation, as lessee, all of its right, title and interest in the Property. The term of the Site Lease will commence as of the date of the Lease and will remain in effect until the expiration of the term of such Lease. The Property will be simultaneously leased back to the District under the Lease, and title will remain in the District.

APPENDIX B

PROPOSED FORM OF OPINION OF SPECIAL COUNSEL
FOR THE CERTIFICATES

November 10, 2016

Board of Education
Carlsbad Unified School District

\$41,805,000
CARLSBAD UNIFIED SCHOOL DISTRICT
Certificates of Participation
(2016 Refunding and School Financing Projects)
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
Made by the
CARLSBAD UNIFIED SCHOOL DISTRICT

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the execution and delivery of \$41,805,000 principal amount of Carlsbad Unified School District Certificates of Participation (2016 Refunding and School Financing Projects) and dated the Date of Delivery (the "Certificates"), evidencing the fractional interests of the registered owners thereof in the right to receive certain Lease Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Lease/Purchase Agreement (the "Lease"), dated as of November 1, 2016, between the Carlsbad Unified School District (the "District") and the Carlsbad Unified School District Educational Facilities Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), all of which right to receive such Lease Payments has been assigned without recourse by the Corporation to U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee"), pursuant to the Trust Agreement, dated as of November 1, 2016, by and among the District, the Corporation and the Trustee (the "Trust Agreement"), which Certificates have been executed by the Trustee pursuant to the terms of the Trust Agreement.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to certify the same by independent investigation.

In our opinion, such proceedings show lawful authority for the execution and delivery by the District of the Trust Agreement and the Lease under the laws of the State of California now in force, and the Lease and the Trust Agreement have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Trustee and the Corporation as appropriate, are valid and binding obligations of the District, enforceable against the District in accordance with their

respective terms. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement. The obligation of the District to make the Lease Payments under the Lease does not constitute a debt of the District or the State of California, or of any political subdivision thereof, within the meaning of any constitutional debt limit or restriction, does not violate any statutory debt limitation, and does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

We are further of the opinion that under existing statutes, regulations, rulings and judicial decisions, the portion of each Lease Payment constituting interest with respect to the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, the portion of each Lease Payment constituting interest with respect to the Certificates may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

We are further of the opinion that the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates is exempt from State of California personal income tax.

We are further of the opinion that the difference between the issue price of a Certificate (the first price at which a substantial amount of the Certificates of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Certificates constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Certificate owner will increase the Certificate owner's basis in the applicable Certificate. Original issue discount that accrues to the Certificate owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Trust Agreement and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Certificate if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Certificates.

The opinions expressed herein as to the exclusion from gross income of the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the execution and delivery of the Certificates to assure that such portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates to be included in gross

income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Certificates there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Certificates or the market value of the Certificates. No assurance can be given that subsequent to the issuance of the Certificates such changes or interpretations will not occur.

With respect to the opinions expressed herein, the rights and obligations under the Certificates, the Lease and the Trust Agreement are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

STRADLING YOCCA CARLSON & RAUTH

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

2014-15 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

[THIS PAGE INTENTIONALLY LEFT BLANK]

**CARLSBAD UNIFIED SCHOOL DISTRICT
COUNTY OF SAN DIEGO
CARLSBAD, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2015

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California**

Introductory Section

Carlsbad Unified School District
 Audit Report
 For The Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
FINANCIAL SECTION		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	12	Exhibit A-1
Statement of Activities.....	13	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	14	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	16	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	17	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	19	Exhibit A-6
Statement of Net Position - Internal Service Fund.....	20	Exhibit A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Internal Service Fund.....	21	Exhibit A-8
Statement of Cash Flows - Proprietary Funds.....	22	Exhibit A-9
Statement of Fiduciary Net Position - Fiduciary Funds.....	23	Exhibit A-10
Notes to the Financial Statements	24	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	55	Exhibit B-1
Schedule of Funding Progress for Other Post Employment Benefits Plan.....		
Schedule of the District's Proportionate Share of the	56	
Net Pension Liability - California State Teachers' Retirement System.....	57	Exhibit B-2
Schedule of District's Contributions - California State Teachers' Retirement System.....	58	Exhibit B-3
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California Public Employees' Retirement System.....	59	Exhibit B-4
Schedule of District's Contributions - California Public Employees' Retirement System..	60	Exhibit B-5

Carlsbad Unified School District
 Audit Report
 For The Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
<u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	61	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Nonmajor Governmental Funds.....	62	Exhibit C-2
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	63	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds.....	64	Exhibit C-4
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	65	
Schedule of Average Daily Attendance.....	66	Table D-1
Schedule of Instructional Time.....	67	Table D-2
Schedule of Financial Trends and Analysis.....	68	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	69	Table D-4
Schedule of Charter Schools.....	70	Table D-5
Schedule of Expenditures of Federal Awards	71	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	72	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	75	
Independent Auditor's Report on State Compliance.....	77	
Schedule of Findings and Questioned Costs	80	
Summary Schedule of Prior Audit Findings.....	84	

Financial Section

Independent Auditor's Report

To the Board of Trustees
Carlsbad Unified School District
Carlsbad, California 92008

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carlsbad Unified School District ("the District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carlsbad Unified School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As described in Note A to the financial statements, in 2015, Carlsbad Unified School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carlsbad Unified School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The 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 basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2014-15*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015 on our consideration of Carlsbad Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carlsbad Unified School District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 7, 2015

CARLSBAD UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
For the Fiscal Year Ended June 30, 2015
(Unaudited)

This section of the Carlsbad Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2015.

FINANCIAL HIGHLIGHTS

- General Fund (Unrestricted and Restricted) expenditures exceeded revenues by \$1,149,875 in fiscal year 2014-15, bringing the ending fund balance to \$15,225,224.
- The State requires most Districts to maintain a reserve of not less than 3% ; additional reserves are recommended, particularly for districts that depend heavily on local property taxes. The District has been able to maintain the required reserve level. Furthermore, the District added a Stabilization Assigned Reserve of \$3.1 million to assist with funding fluctuations in future years for a district operating largely on the receipt of local tax revenues.
- Student enrollment remained basically flat over prior year at 11,049.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Management Discussion and Analysis providing a narrative introduction and analysis of the financial statements for the current and prior years.
- District-Wide Financial Statements providing both short-term and long-term information about the District's overall financial status.
- Fund Financial Statements providing individual aspects of District operations.

Management's Discussion and Analysis

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

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

Table 1 shows that District assets totaled over \$393 million as of June 30, 2015. Major components of the asset balance are as follows: (1) Cash and investments represent a large component of district assets at \$71.5 million; (2) Buildings represent the largest component valued at \$291.8 million; (3) Land plus site improvements are valued at \$58.7 million; and (4) Equipment at \$26.8 million. Capital assets are valued at historical cost less depreciation of \$69 million, and not market value. Market value for land and buildings owned is considerably higher than the book value reported here. Construction work in progress and other assets complete the total at June 30, 2015.

Liabilities totaled \$365.8 million on June 30, 2015. Major components of the \$358.2 million long-term liabilities are: (1) \$43.2 million in outstanding obligations for Certificates of Participation (COPs) issued for new school construction and modernization projects; (2) General Obligation Bond debt issued for school construction and modernization constitutes \$228.6 million; (3) Other general long-term debt was \$ 1.8 million. Net OPEB Obligations were \$13.2 million; compensated absences were \$291,958; and capital leases were \$ 5.1 million. NEW: Net Pension \$ 63.8 million.

Overall, net position of the Carlsbad Unified School District was \$24.9 million on June 30, 2015. This represents a decrease of \$1,114,534 over the course of the year (Table 2).

Assets	June 30, 2014	June 30, 2015
Current Assets:		
Cash	\$ 79,440,025	\$ 71,511,451
Other	4,788,939	6,045,922
Capital Assets:		
Land	36,276,875	36,276,875
Site Improvements	22,422,503	22,463,083
Buildings	285,957,963	291,810,677
Equipment	26,737,832	26,807,965
Work in Progress	2,367,021	7,408,407
Less Acc. Depr.	(61,000,939)	(69,245,846)
	\$ 396,990,219	\$393,078,534
Deferred Outflows	\$3,242,414	\$14,547,122
Liabilities		
Current Liabilities	5,814,214	7,588,837
Long Term Liabilities	295,854,203	358,209,068
	\$301,668,417	\$365,797,905
Deferred Inflows	\$0	\$16,922,900
Net Position	\$ 98,564,216	\$ 24,904,851

	2013-2014	2014-2015
Beginning Net Position	\$98,225,162*	\$26,019,385**
Ending Net Position	\$98,564,216	\$24,904,851
Change in net Position	\$ 339,054	\$(1,114,534)

* A restatement of the beginning net position was restated due to change in accounting policy for GASB 65, issue cost, gain/loss in refunding, and correction of underreported bond premium.

** As a result of implementation of GASB 68 & 71 the district restated the beginning net position to account for pension liability and related deferred inflows and outflows of resources for the first time in 2014-15.

Governmental Activities

Table 3 shows the percentage of each revenue and expenditure to the total governmental revenues and expenditures in fiscal year 2013–14 and fiscal year 2014–15.

DISTRICT FUNDS

Table 3 – Governmental Activities

Revenues	June 30, 2014	%	June 30, 2015	%
Program Revenues:				
Charges for Services	\$ 2,387,499	2.18%	\$ 2,701,125	2.35%
Grants and Contributions	21,186,407	19.38%	19,850,508	17.27%
General Revenues:				
Taxes and Subventions	\$ 76,987,016	70.41%	\$ 83,053,860	72.26%
State and Federal Unrestricted Aid	4,838,178	4.43%	5,597,575	4.87%
Interest and Investment Earnings	211,900	.19%	210,188	.18%
Interagency Revenues	665,130	.61%	361,645	.31%
Miscellaneous	3,059,507	2.80%	3,157,148	2.75%
Total Revenues	109,335,637	100.00%	114,932,049	100.00%
Total Expenditures				
Instruction	\$ 59,499,368	54.57%	\$ 64,183,967	55.31%
Instruction - Related Services	8,722,301	8.00%	9,574,096	8.25%
Student Support Services	9,760,345	8.95%	10,519,292	9.06%
Maintenance and Operations	10,765,937	9.87%	9,898,799	8.53%
Data Processing	877,367	0.80%	845,316	.73%
Administration	4,739,808	4.35%	5,179,125	4.46%
Interest on Long-Term Debt	13,713,437	12.58%	14,027,403	12.09%
Other	948,020	.87%	1,821,585	1.57%
Total Expenditures	109,026,583	100.00%	116,046,583	100.00%
Revenues less Expenditures	\$ 309,054		\$ <1,114,534>	

DISTRICT FUNDS

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

General Fund

General Fund (Unrestricted and Restricted) revenues plus transfers totaled \$89.9 million for fiscal year 2014–15, an increase of 4.45% from the prior year. This fiscal year the State's new Local Control Funding Formula (LCFF) Gap closure funding percentage was 30.16%.

General Fund expenditures plus transfers totaled \$91 million, an increase of 8% over prior year. Employee salaries and benefits remained the largest share of expenditures at 83.22%. The ending fund balance was \$15.2 million on June 30, 2015.

Special Revenue Funds

- The Deferred Maintenance Fund was used in prior years to account for State apportionments and District contributions for major maintenance of facilities. The monies are now available for flexible use by the District and have been transferred to the General Fund to support operations.
- The Cafeteria Fund accounts for federal, state and local resources to operate the Child Nutrition program.

Capital Projects Funds

- The Building Fund accounts for the construction of facilities and buildings from the proceeds of general obligation bonds. The district issued \$40 million in General Obligation Bonds, Series A in September 2007, \$80 million Series B in June 2010, \$52.99 million Series C, and \$25 million Series D as Qualified School Construction Bonds (QSCB) in June 2011. The remaining bond proceeds completed projects across the district. The fire alarm systems at Calavera Elementary and Calavera Middle schools were upgraded. Underground electrical & low voltage improvements were replaced in its entirety at Aviara Oaks Elementary and a district wide, low voltage improvements for Security, Broadcasting and Data systems were completed.
- The Capital Facilities Fund is used to account for resources received from developer impact fees, sometimes known as "school fees" or "developer fees". This fiscal year 2014–15, the district collected \$1,057,733 plus minor interest earnings. This is an increase of over \$250,000 from 2013–14. Revenue is restricted for facilities projects.

Debt Service Funds

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

Proprietary Funds

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

Fiduciary Funds

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

- Capital outlay expenditures for fiscal year 2014–15 were over \$11 million.

Long-Term Debt

The total principal liability for the fiscal year was \$ 358.2 million. The principal liabilities were summarized in the chart below.

General Obligation Bonds	\$ 228,668,544
Certificates of Participation	\$ 43,255,042
Capital Leases	\$ 5,165,000
Other General Long-Term Debt	\$ 1,825,000
Net OPEB Liability	\$ 13,175,288
Net Pension Liability	\$ 65,828,236
Compensated Absences	\$ 291,958

(Adjusted alignment)

FACTORS AFFECTING THE DISTRICT'S FINANCIAL FUTURE

For fiscal year local property taxes amounted to \$69 million, a 7.9% increase from prior year receipts. Although the General Fund final balance was higher by \$ 2M than projected, due to the fluctuations in the State's LCFF gap funding level, the district is no longer Basic Aid for fiscal year 2014-15.

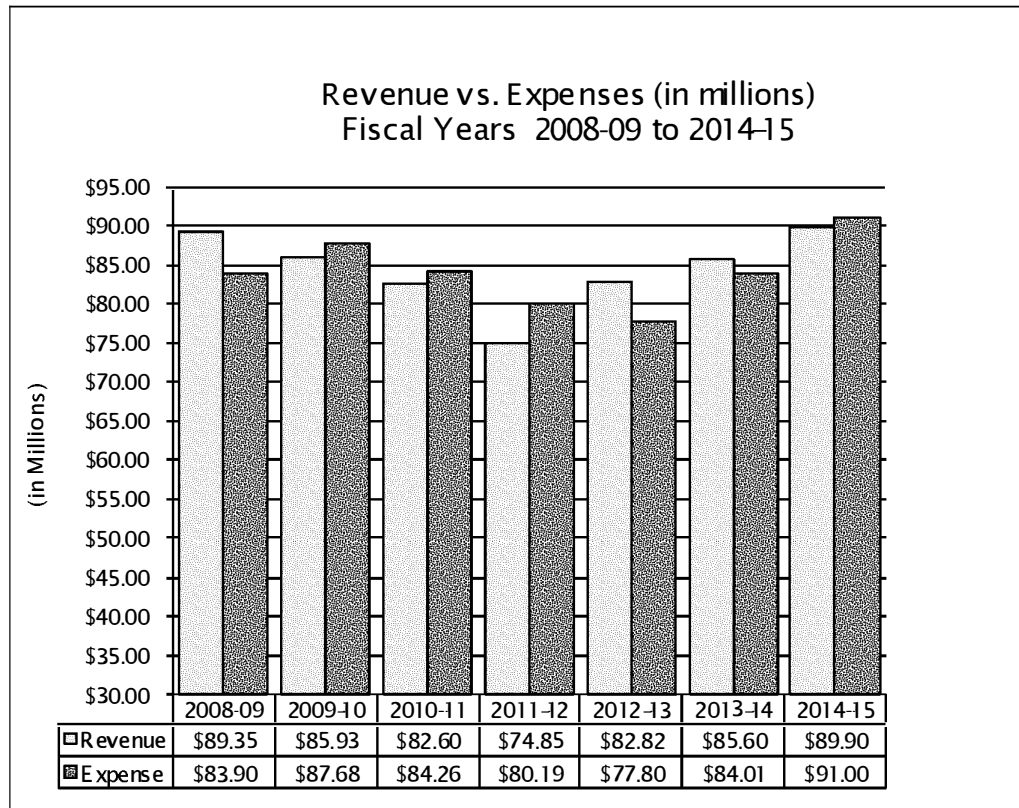


Table 4

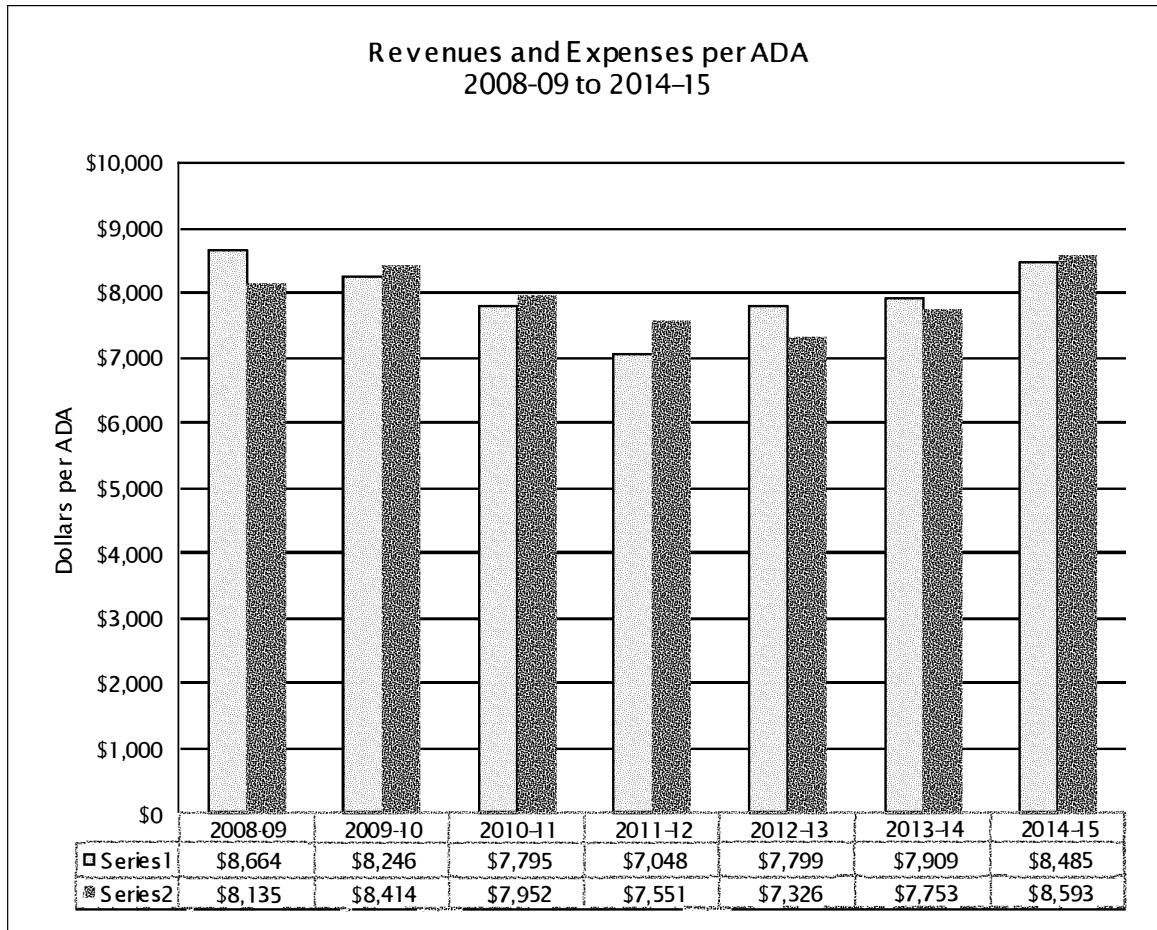


Table 5

Series 1 = Revenues

Series 2 = Expenditures

Revenue per ADA in 2014-15 was \$8,485, an increase of 7% over prior year. Expenditures per ADA were \$8,593, an increase of \$840 per ADA over FY 2012-13.

For additional information, please contact Suzanne O'Connell, Deputy Superintendent, Administrative Services at (760) 331-5036 of Carlsbad Unified School District located at 6225 El Camino Real, Carlsbad, CA 92009.

Basic Financial Statements

CARLSBAD UNIFIED SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 71,511,451
Receivables	4,040,812
Stores	106,414
Prepaid Expenses	1,898,696
Capital Assets:	
Land	36,276,875
Improvements	22,463,083
Buildings	291,810,677
Equipment	26,807,965
Work in Progress	7,408,407
Less Accumulated Depreciation	(69,245,846)
Total Assets	<u>393,078,534</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>14,547,122</u>
LIABILITIES	
Accounts Payable and Other Current Liabilities	7,533,008
Unearned Revenue	55,829
Long-Term Liabilities:	
Due Within One Year	10,926,147
Due in More Than One Year	347,282,921
Total Liabilities	<u>365,797,905</u>
DEFERRED INFLOWS OF RESOURCES	<u>16,922,900</u>
NET POSITION	
Net Investment in Capital Assets	36,591,957
Restricted for:	
Capital Projects	39,510,867
Debt Service	16,222,508
Educational Programs	56,780
Other Purposes (Expendable)	260,073
Other Purposes (Nonexpendable)	2,015,111
Unrestricted	(69,752,445)
Total Net Position	<u>\$ 24,904,851</u>

The accompanying notes are an integral part of this statement.

CARLSBAD UNIFIED SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:				Governmental Activities	
Instruction	\$ 64,183,967	\$ 1,009,448	\$ 13,651,578	\$ -	\$ (49,522,941)
Instruction-Related Services:					
Instructional Supervision and Administration	1,842,515	9,787	681,071	-	(1,151,657)
Instructional Library, Media and Technology	1,391,242	4,855	39,201	-	(1,347,186)
School Site Administration	6,340,339	664	212,680	-	(6,126,995)
Pupil Services:					
Home-to-School Transportation	2,332,466	63	80,217	-	(2,252,186)
Food Services	2,611,821	1,265,711	1,234,819	-	(111,291)
All Other Pupil Services	5,575,005	44,378	1,374,683	-	(4,155,944)
General Administration:					
Centralized Data Processing	845,316	-	-	-	(845,316)
All Other General Administration	5,176,125	1,128	150,123	-	(5,024,874)
Plant Services	9,898,799	361,507	2,388,502	-	(7,148,790)
Ancillary Services	1,014,954	-	13,698	-	(1,001,256)
Community Services	107,287	3,584	23,936	-	(79,767)
Interest on Long-Term Debt	14,027,403	-	-	-	(14,027,403)
Other Outgo - Transfers Between Agencies	543,687	-	-	-	(543,687)
Other Outgo - Debt Issue Costs	155,657	-	-	-	(155,657)
Total Expenses	\$ 116,046,583	\$ 2,701,125	\$ 19,850,508	\$ -	\$ (93,494,950)

General Revenues:

Taxes and Subventions:	
Taxes Levied for General Purposes	69,163,569
Taxes Levied for Debt Service	13,892,387
Taxes Levied for Other Specific Purposes	(2,096)
Federal and State Aid Not Restricted to Specific Programs	5,597,575
Interest and Investment Earnings	210,188
Interagency Revenues	361,645
Miscellaneous	3,157,148
Total General Revenues	\$ 92,380,416

Change in Net Position

(1,114,534)

Net Position Beginning - As Restated (See Note T)

26,019,385

Net Position Ending

\$ 24,904,851

The accompanying notes are an integral part of this statement.

CARLSBAD UNIFIED SCHOOL DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2015

	<u>General Fund</u>	<u>Building Fund</u>
ASSETS:		
Cash in County Treasury	\$ 13,362,922	\$ 27,343,664
Cash in Revolving Fund	10,000	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	3,752,440	27,953
Due from Other Funds	169,762	-
Stores Inventories	34,294	-
Prepaid Expenditures	1,845,702	811
Total Assets	<u>19,175,120</u>	<u>27,372,428</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 3,811,009	\$ 1,050,190
Due to Grantor Governments	45,058	-
Due to Other Funds	38,000	174
Unearned Revenue	55,829	-
Total Liabilities	<u>3,949,896</u>	<u>1,050,364</u>
Fund Balance:		
Nonspendable Fund Balances	1,887,996	-
Restricted Fund Balances	103,482	26,321,253
Committed Fund Balances	3,124,698	-
Assigned Fund Balances	5,552,996	-
Unassigned Fund Balances	4,556,052	-
Total Fund Balance	<u>15,225,224</u>	<u>26,322,064</u>
Total Liabilities and Fund Balances	<u>\$ 19,175,120</u>	<u>\$ 27,372,428</u>

The accompanying notes are an integral part of this statement.

Capital Projects Fund for Blended Component Unit	Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ 6,075,436	\$ 16,222,508	\$ 1,610,806	\$ 64,615,336
-	-	-	10,000
5,897,216	-	-	5,897,216
11,918	-	232,812	4,025,123
-	-	-	169,762
-	-	72,120	106,414
-	-	52,183	1,898,696
<u>11,984,570</u>	<u>16,222,508</u>	<u>1,967,921</u>	<u>76,722,547</u>
\$ 159,163	\$ -	\$ 134,430	\$ 5,154,792
-	-	-	45,058
99,283	-	32,305	169,762
-	-	-	55,829
<u>258,446</u>	<u>-</u>	<u>166,735</u>	<u>5,425,441</u>
-	-	124,303	2,013,110
11,726,124	16,222,508	1,676,883	56,050,249
-	-	-	3,124,698
-	-	-	5,552,996
-	-	-	4,556,052
<u>11,726,124</u>	<u>16,222,508</u>	<u>1,801,186</u>	<u>71,297,106</u>
<u>\$ 11,984,570</u>	<u>\$ 16,222,508</u>	<u>\$ 1,967,921</u>	<u>\$ 76,722,547</u>

CARLSBAD UNIFIED SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances - governmental funds balance sheet		\$ 71,297,106
<p>Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>		
Capital assets relating to governmental activities, at historical cost	384,767,007	
Accumulated depreciation	<u>(69,245,846)</u>	
Net		315,521,161
<p>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 net position, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:</p>		
		(2,184,269)
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
General obligation bonds payable	228,668,544	
Net pension liability	65,828,236	
Net OPEB obligation	13,175,288	
Compensated absences payable	291,958	
Certificates of participation payable	43,255,042	
Special tax bonds payable	1,825,000	
Capital leases payable	<u>5,165,000</u>	
Total:		(358,209,068)
<p>Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was:</p>		
		3,055,078
<p>Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.</p>		
Deferred outflows of resources relating to pensions		11,492,044
Deferred inflows of resources relating to pensions		(16,922,900)
<p>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 position. Net position for internal service funds are:</p>		
		<u>855,699</u>
Net position of governmental activities - statement of net position		\$ <u>24,904,851</u>

The accompanying notes are an integral part of this statement.

[THIS PAGE INTENTIONALLY LEFT BLANK]

CARLSBAD UNIFIED SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 912,282	\$ -
Education Protection Account Funds	2,119,162	-
Local Sources	69,163,569	-
Federal Revenue	3,187,071	-
Other State Revenue	5,813,724	-
Other Local Revenue	8,735,337	137,677
Total Revenues	<u>89,931,145</u>	<u>137,677</u>
Expenditures:		
Instruction	56,652,193	-
Instruction - Related Services	9,442,709	-
Pupil Services	7,937,787	-
Ancillary Services	1,016,820	-
Community Services	107,385	-
General Administration	6,135,004	-
Plant Services	9,089,778	7,789,332
Other Outgo	699,344	-
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	<u>91,081,020</u>	<u>7,789,332</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,149,875)</u>	<u>(7,651,655)</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,149,875)	(7,651,655)
Fund Balance, July 1	16,375,099	33,973,719
Fund Balance, June 30	<u>\$ 15,225,224</u>	<u>\$ 26,322,064</u>

The accompanying notes are an integral part of this statement.

Capital Projects Fund for Blended Component Unit	Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 912,282
-	-	-	2,119,162
-	-	-	69,163,569
-	1,115,783	1,138,365	5,441,219
-	70,535	95,841	5,980,100
6,219,436	13,879,071	2,344,198	31,315,719
<u>6,219,436</u>	<u>15,065,389</u>	<u>3,578,404</u>	<u>114,932,051</u>
-	-	-	56,652,193
-	-	-	9,442,709
-	-	2,551,257	10,489,044
-	-	-	1,016,820
-	-	-	107,385
-	-	31,732	6,166,736
2,998,871	-	16,361	19,894,342
-	-	-	699,344
405,000	6,205,485	2,870,000	9,480,485
150,290	6,951,000	2,227,506	9,328,796
<u>3,554,161</u>	<u>13,156,485</u>	<u>7,696,856</u>	<u>123,277,854</u>
<u>2,665,275</u>	<u>1,908,904</u>	<u>(4,118,452)</u>	<u>(8,345,803)</u>
-	-	5,097,506	5,097,506
(5,097,506)	-	-	(5,097,506)
<u>(5,097,506)</u>	<u>-</u>	<u>5,097,506</u>	<u>-</u>
(2,432,231)	1,908,904	979,054	(8,345,803)
14,158,355	14,313,604	822,132	79,642,909
<u>\$ 11,726,124</u>	<u>\$ 16,222,508</u>	<u>\$ 1,801,186</u>	<u>\$ 71,297,106</u>

CARLSBAD UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds \$ (8,345,803)

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

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

Expenditures for capital outlay	11,004,813	
Depreciation expense	<u>(8,244,907)</u>	
Net		2,759,906

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: 9,480,485

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (6,979,979)

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: 1,138,785

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when the employer contributions are made. In the statement of activities, costs are measured and recognized in relation to the annual required contribution. The annual required contribution is the normal costs related to the current period plus a calculated amount necessary to systematically amortize any unfunded liability in accordance with generally accepted accounting principles. This year, the difference between the annual required contribution and amounts actually funded was: (1,477,678)

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: 36,138

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: 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, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is: 2,281,368

Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: (7,756)

Change in net position of governmental activities - statement of activities \$ (1,114,534)

The accompanying notes are an integral part of this statement.

CARLSBAD UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

JUNE 30, 2015

	Nonmajor Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 541,150
Cash with a Fiscal Agent/Trustee	447,752
Accounts Receivable	15,687
Total Current Assets	<u>1,004,589</u>
Total Assets	<u>1,004,589</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 148,890
Total Current Liabilities	<u>148,890</u>
Total Liabilities	<u>148,890</u>
NET POSITION:	
Unrestricted	855,699
Total Net Position	<u>\$ 855,699</u>

The accompanying notes are an integral part of this statement.

CARLSBAD UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 1,129,691
Total Revenues	<u>1,129,691</u>
Operating Expenses:	
Services and Other Operating Expenses	<u>1,137,448</u>
Total Expenses	<u>1,137,448</u>
Income (Loss) before Contributions and Transfers	(7,757)
Change in Net Position	<u>(7,757)</u>
Total Net Position - Beginning	863,456
Total Net Position - Ending	<u>\$ 855,699</u>

The accompanying notes are an integral part of this statement.

CARLSBAD UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	Nonmajor Internal Service Fund <u>Self-Insurance Fund</u>
Cash Flows from Operating Activities:	
Cash Received for Interfund Services Provided	\$ 1,128,097
Cash Payments to Other Suppliers for Goods and Services	<u>(1,129,085)</u>
Net Cash Provided (Used) by Operating Activities	<u>(988)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	<u>3,585</u>
Net Cash Provided (Used) for Investing Activities	<u>3,585</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,597
Cash and Cash Equivalents at Beginning of Year	986,305
Cash and Cash Equivalents at End of Year	<u>\$ 988,902</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (7,756)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	1,990
Increase (Decrease) in Accounts Payable	<u>8,363</u>
Total Adjustments	<u>10,353</u>
Net Cash Provided (Used) by Operating and Investment Activities	<u>\$ 2,597</u>

The accompanying notes are an integral part of this statement.

CARLSBAD UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2015

	Agency Fund
	Student Body Fund
ASSETS:	
Cash in County Treasury	\$ 303,579
Cash on Hand and in Banks	317,870
Accounts Receivable	297
Store Inventories	12,291
Total Assets	<u>634,037</u>
LIABILITIES:	
Accounts Payable	\$ 177
Due to Student Groups	633,860
Total Liabilities	<u>634,037</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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

The District reports the following major governmental funds:

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

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

Capital Project Fund for Blended Component Units. This fund accounts for the activities of the District's Community Facilities Districts.

Bond Interest and Redemption Fund. This fund is used to account for the accumulation of resources for, and the repayment of District bonds, interest, and related costs.

In addition, the District reports the following fund types:

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

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

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

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

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

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

b. Measurement Focus, Basis of Accounting

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

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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.

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. Budgets and Budgetary Accounting

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

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

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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

b. Expenses/Expenditures

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

6. 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.

CARLSBAD UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-50
Building Improvements	10-50
Vehicles	5-15
Office Equipment	5-15
Computer 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. Unearned Revenue

Unearned 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 unearned 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 position.

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 Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Minimum Fund Balance

The District maintains a minimum reserve, within the general fund, an amount not less than three percent or the amount required by state law. The minimum reserve shall apply towards the established three percent minimum Reserve for Economic Uncertainties or an amount that meets or exceeds the requirements by law. The primary purpose of this reserve is to avoid the need for service level reductions in the event of an economic downturn which causes revenues to come in lower than budget. This reserve may be increased from time to time in order to address specific anticipated shortfalls. The District believes a reserve at this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aid districts such as this district are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

On June 17, 2015 the Board voted to approve an increase in the reserve level for economic uncertainties from 3% to 5%. The Board also directed staff to maintain a committed Basic Aid Reserve.

7. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65. For the year ended June 30, 2014 the district did not have any deferred inflows of resources.

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan), and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

9. 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.

10. Change in Accounting Policies

In June, 2012 the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions -- an Amendment of GASB No. 27," which is effective for fiscal years beginning after June 15, 2014. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions, a net pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions, and collective net pension liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's government-wide net position.

In November, 2013 the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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 Position of Individual Funds

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Excess of Expenditures Over Appropriations

As of June 30, 2015, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
General Fund:	
Classified Salaries	\$ 159,901
Employee Benefits	1,961,834

General Fund: The district did not initially budget for payments made by the state of California on behalf of district employees for contributions to CalSTRS. In accordance with GASB Statement No. 24 these amounts have been included as both revenue and expenses.

Classified salaries exceeded the budget by 1.3% as a result of unanticipated increases in salaries.

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$65,460,065 as of June 30, 2015). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$65,460,065. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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

Cash balances on hand and in banks (\$317,870 as of June 30, 2015) and in the revolving fund (\$10,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2015 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Money Market	<30 Days	\$ 3,522,693
Treasury Obligations	<30 Days	2,374,523
JPA Treasury Funds	<30 Days	447,752
Total Investments		<u>\$ 6,344,968</u>

4. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

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

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

5. 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.

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.

California Government Code requires that a financial institution secure deposits made by State or Local Governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

As of June 30, 2015, the District's bank balances (including revolving cash) of \$17,377 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

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.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, 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. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

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.

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

6. Investment Accounting Policy

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

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

E. Accounts Receivable

Accounts receivable at June 30, 2015 consisted of intergovernmental grants, entitlements, interest and other local sources as follows:

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund	Capital Projects Fund		
Federal Government:					
Federal Programs	\$ 1,548,128	\$ -	\$ -	\$ 184,503	\$ 1,732,631
State Government:					
Lottery	945,247	-	-	-	945,247
Special Education	172,457	-	-	-	172,457
Other State Programs	27,739	-	-	14,889	42,628
Local Sources:					
Interest	22,781	27,953	5,168	1,498	57,400
ROP Allocation	366,202				366,202
Microsoft Settlement	124,236				124,236
Payroll Overpayment	246,066				246,066
Rental agreement	55,000				55,000
School Site Invoices	70,267				70,267
Other Local Sources	174,317		6,750	31,922	212,989
Total Accounts Receivable	\$ 3,752,440	\$ 27,953	\$ 11,918	\$ 232,812	\$ 4,025,123
	Self Insurance Fund	Student Body Fund	Total Other Funds		
Local Sources:					
Interest	\$ 522	\$ 297	\$ 819		
Other Local Sources	15,165	-	15,165		
Total Accounts Receivable	\$ 15,687	\$ 297	\$ 15,984		

All accounts receivable are considered to be collectible in full and as such no allowance for doubtful accounts has been established.

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

F. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 36,276,875	\$ -	\$ -	\$ 36,276,875
Work in progress	2,367,021	5,788,970	747,584	7,408,407
Total capital assets not being depreciated	<u>38,643,896</u>	<u>5,788,970</u>	<u>747,584</u>	<u>43,685,282</u>
Capital assets being depreciated:				
Buildings	285,957,963	5,852,714	-	291,810,677
Improvements	22,422,503	40,580	-	22,463,083
Equipment	26,737,832	70,133	-	26,807,965
Total capital assets being depreciated	<u>335,118,298</u>	<u>5,963,427</u>	<u>-</u>	<u>341,081,725</u>
Less accumulated depreciation for:				
Buildings	(38,797,012)	(5,837,006)	-	(44,634,018)
Improvements	(8,375,861)	(997,763)	-	(9,373,624)
Equipment	(13,828,066)	(1,410,138)	-	(15,238,204)
Total accumulated depreciation	<u>(61,000,939)</u>	<u>(8,244,907)</u>	<u>-</u>	<u>(69,245,846)</u>
Total capital assets being depreciated, net	<u>274,117,359</u>	<u>(2,281,480)</u>	<u>-</u>	<u>271,835,879</u>
Governmental activities capital assets, net	<u>\$ 312,761,255</u>	<u>\$ 3,507,490</u>	<u>\$ 747,584</u>	<u>\$ 315,521,161</u>

Depreciation was charged to functions as follows:

Instruction	\$ 7,327,403
Instruction-Related Services	97,496
Pupil Services	3,117
General Administration	367,830
Plant Services	449,061
	<u>\$ 8,244,907</u>

G. Deferred Outflows of Resources

In 2009 the District issued refunding certificates of participation (COPs) to repay the 1997 COPs, 2000 COPs, and 2001 COPs. The refunding resulted in a loss on refunding of \$1,416,476 which is recorded as a deferred outflow of resources and amortized over 32 years (the life of the COPs).

In 2014 the District issued refunding bonds as a partial refunding of 2006 Series A General Obligation Bonds. The refunding resulted in a loss on refunding of \$2,002,998 which is recorded as a deferred outflow of resources and amortized over 14 years (the life of the bonds).

GASB Statement No. 71 requires that contributions of pension plans subsequent to the measurement date be recorded as deferred outflows of resources. Pension related deferred outflows of resources as of year end are representative of contributions made after the measurement date.

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

A summary of the deferred outflow of resources as of June 30, 2014 is as follows:

Description	Amortization Term	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
2009 Loss on Refunding COPs	32 Years	\$ 1,239,416	\$ -	\$ 44,265	\$ 1,195,151
2014 Loss on Refunding Bonds	14 Years	2,002,998	-	143,071	1,859,927
2013-14 Pension Related	1 Year	7,335,167	-	7,335,167	-
2014-15 Pension Related	1 Year	-	11,492,044	-	11,492,044
Total Deferred Outflows of Resources		\$ 10,577,581	\$ 11,492,044	\$ 7,522,503	\$ 14,547,122

Future amortization of deferred outflows of resources is as follows

Year Ending June 30	2009 COPs	2014 Bond	Pension Related	Total
2016	\$ 44,265	\$ 143,071	\$ 11,492,044	\$ 11,679,380
2017	44,265	143,071	-	187,336
2018	44,265	143,071	-	187,336
2019	44,265	143,071	-	187,336
2020	44,265	143,071	-	187,336
2021-2025	221,325	715,355	-	936,680
2026-2030	221,325	429,217	-	650,542
2031-2035	221,325	-	-	221,325
2036-2040	221,325	-	-	221,325
2041-2045	88,526	-	-	88,526
Total	\$ 1,195,151	\$ 1,859,927	\$ 11,492,044	\$ 14,547,122

H. Accounts Payable

Accounts payable at June 30, 2015 consisted of:

	Major Governmental Funds				Total Governmental Funds
	General Fund	Building Fund	Capital Projects Fund	Nonmajor Governmental Funds	
Vendor payables	\$ 1,072,703	\$ 1,048,847	\$ 159,163	\$ 66,222	\$ 2,346,935
Pension related	480,513	1,072	-	9,393	490,978
Payroll and other benefits	2,257,793	271	-	58,815	2,316,879
Totals	\$ 3,811,009	\$ 1,050,190	\$ 159,163	\$ 134,430	\$ 5,154,792

	Self Insurance Fund	Student Body Fund	Total Other Funds
Claims liabilities	\$ 140,710	\$ -	\$ 140,710
Vendors payable	8,180	-	8,180
Use tax payable	-	177	177
Totals	\$ 148,890	\$ 177	\$ 149,067

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

I. Unearned Revenue

Unearned revenue at June 30, 2015 consisted of:

	General Fund
Local Sources:	
Linked Learning Pilot	\$ <u>55,829</u>

J. Components of Ending Fund Balance

As of June 30, 2015 ending fund balance in governmental funds consisted of the following:

	Major Funds				
	General Fund	Building Fund	Capital Projects Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds
Nonspendable Fund Balances					
Revolving Cash	\$ 10,000	\$ -	\$ -	\$ -	\$ -
Stores Inventory	32,294	-	-	-	72,120
Prepaid Expenses	1,845,702	811	-	-	52,183
Total Nonspendable	<u>1,887,996</u>	<u>811</u>	<u>-</u>	<u>-</u>	<u>124,303</u>
Restricted Fund Balances					
Educational Programs	56,800	-	-	-	-
Capital Projects	45,533	26,321,253	11,726,124	-	1,417,959
Medi-Cal	1,149	-	-	-	-
Debt Service	-	-	-	16,222,508	-
Child Nutrition Program	-	-	-	-	258,924
Total Restricted	<u>103,482</u>	<u>26,321,253</u>	<u>11,726,124</u>	<u>16,222,508</u>	<u>1,676,883</u>
Committed Fund Balances					
Basic Aid Reserve	3,124,698	-	-	-	-
Total committed	<u>3,124,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned Fund Balances					
Site Carryover Reserves	572,998	-	-	-	-
Employee Compensation	1,732,150	-	-	-	-
PeopleSoft Reserve	213,050	-	-	-	-
Staffing Reserve	500,000	-	-	-	-
Technology Reserve	250,000	-	-	-	-
Textbook Adoption Reserve	839,930	-	-	-	-
Class Size Reduction	1,444,868	-	-	-	-
Total Assigned	<u>5,552,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned Fund Balances					
For Economic Uncertainty	4,554,051	-	-	-	-
Other Unassigned	2,001	-	-	-	-
Total Unassigned	<u>4,556,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ 15,225,224</u>	<u>\$ 26,322,064</u>	<u>\$ 11,726,124</u>	<u>\$ 16,222,508</u>	<u>\$ 1,801,186</u>

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

K. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2015, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	General Fund	\$ 38,000	Program contributions
General Fund	Cafeteria Fund	573	Cost reimbursements
General Fund	Building Fund	174	Cost reimbursements
General Fund	Capital Facilities Fund	31,732	Indirect costs
General Fund	Capital Projects Fund	99,283	Administrative fees
	Total	<u>\$ 169,762</u>	

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, 2015, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Capital Projects Fund	Debt service fund	\$ 5,097,506	Debt service payments
	Total	<u>\$ 5,097,506</u>	

L. Short-Term Debt Activity

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

In August 2014, the District entered into the County of San Diego and San Diego County School Districts 2014 Pooled Tax and Revenue Anticipation Notes (TRANS) in the amount of \$6,750,000. The notes were sold to supplement the District's cash flows. The notes were repaid on June 30, 2015 in full with interest paid at a rate of 2%.

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax anticipation notes	\$ -	\$ 6,750,000	\$ 6,750,000	\$ -

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

M. 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, 2015, are as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General Obligation (GO) Bonds					
Bond Principal	\$ 190,233,487	-	6,205,485	184,028,002	6,062,423
Bond Premiums	6,535,903	-	218,571	6,317,332	218,571
Bond Accreted Interest	33,670,401	6,887,324	2,234,515	38,323,210	2,682,577
Total GO Bonds	<u>230,439,791</u>	<u>6,887,324</u>	<u>8,658,571</u>	<u>228,668,544</u>	<u>8,963,571</u>
Certificates of Participation (COPs)					
COPs Principal	44,525,000	-	1,650,000	42,875,000	1,230,000
COPs Premium	395,660	-	15,618	380,042	15,618
Total COPs	<u>44,920,660</u>	<u>-</u>	<u>1,665,618</u>	<u>43,255,042</u>	<u>1,245,618</u>
Capital Leases	5,570,000	-	405,000	5,165,000	330,000
Special Tax Bonds	3,045,000	-	1,220,000	1,825,000	95,000
Compensated absences *	328,096	-	36,138	291,958	291,958
Net Pension Liability	79,733,044	-	15,911,625	63,821,419	-
Net OPEB Obligation	11,697,610	2,822,027	1,344,349	13,175,288	-
Total governmental activities	<u>\$ 375,734,201</u>	<u>\$ 9,709,351</u>	<u>\$ 29,241,301</u>	<u>\$ 356,202,251</u>	<u>\$ 10,926,147</u>

* 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 premiums, pension liability, and net OPEB obligation at June 30, 2015 are as follows:

Year Ending June 30,	Governmental Activities			
	Principal	Accreted Interest	Interest	Total
2016	\$ 8,009,381	\$ 4,890,189	\$ 4,983,768	\$ 17,883,338
2017	7,866,816	4,791,489	5,454,983	18,113,288
2018	7,652,274	4,722,064	5,870,861	18,245,199
2019	7,702,811	4,656,464	6,208,217	18,567,492
2020	7,414,018	7,658,539	4,151,336	19,223,893
2021-2025	58,793,364	37,656,665	15,601,154	112,051,183
2026-2030	66,988,037	39,087,882	18,502,102	124,578,021
2031-2035	55,828,506	22,058,269	44,244,823	122,131,598
2036-2040	13,454,753	727,260	14,413,122	28,595,135
2041-2045	475,000	-	13,875	488,875
Totals	<u>\$ 234,184,960</u>	<u>\$ 126,248,821</u>	<u>\$ 119,444,241</u>	<u>\$ 479,878,022</u>

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

3. General Obligation Bonds

General obligation bonds issued by the District as of June 30, 2015 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Original Issue Amount
1997 Election, Series A	10/03/1997	4.15-5.45%	8/1/2022	\$ 26,498,696
2006 Election, Series A	08/29/2007	4.00-5.25%	8/1/2032	40,000,000
2006 Election, Series B	05/29/2009	1.73-6.00%	8/1/2034	79,998,017
2006 Election, Series C	06/07/2011	3.00-6.63%	8/1/2036	52,998,238
2006 Election, Series D	06/07/2011	4.58-5.23%	8/1/2036	25,000,000
2014 Refunding Bonds	05/14/2014	2.00-5.00%	8/1/2027	16,495,000
				<u>\$ 240,989,951</u>

	Amount Outstanding 07/01/2014	Issued Current Year	Redeemed Current Year	Amount Outstanding 6/30/2015
1997 Election, Series A	\$ 9,019,139	\$ -	\$ 1,148,168	\$ 7,870,971
1997-A Accreted Interest	13,092,057	1,081,761	1,651,832	12,521,986
2006 Election, Series A	15,620,000	-	1,025,000	14,595,000
2006-A Bond Premium	528,037	-	34,650	493,387
2006 Election, Series B	74,356,500	-	2,392,317	71,964,183
2006-B Bond Premium	2,151,930	-	69,235	2,082,695
2006-B Accreted Interest	13,579,315	3,182,830	582,683	16,179,462
2006 Election, Series C	49,742,848	-	1,315,000	48,427,848
2006-C Bond Premium	1,185,658	-	36,355	1,149,303
2006-C Accreted Interest	6,999,029	2,622,733	-	9,621,762
2006 Election, Series D	25,000,000	-	-	25,000,000
2006-D Bond Premium	998,736	-	45,397	953,339
2014 Refunding Bond	16,495,000	-	325,000	16,170,000
2014 Bond Premium	1,671,542	-	32,934	1,638,608
	<u>\$ 230,439,791</u>	<u>\$ 6,887,324</u>	<u>\$ 8,658,571</u>	<u>\$ 228,668,544</u>

Debt service requirements on general obligation bonds, net of premiums at June 30, 2015 is as follows:

Year Ending June 30,	Accreted		Interest	Total
	Principal	Interest		
2016	\$ 6,062,423	\$ 4,890,189	\$ 2,682,577	\$ 13,635,189
2017	6,151,816	4,791,489	3,223,184	14,166,489
2018	5,862,274	4,722,064	3,717,726	14,302,064
2019	5,827,811	4,656,464	4,132,189	14,616,464
2020	5,469,018	7,658,539	2,155,982	15,283,539
2021-2025	47,658,364	37,656,665	7,056,636	92,371,665
2026-2030	54,038,037	39,087,882	12,771,963	105,897,882
2031-2035	44,758,506	22,058,269	41,521,494	108,338,269
2036-2040	8,199,753	727,260	13,755,247	22,682,260
Totals	<u>\$ 184,028,002</u>	<u>\$ 126,248,821</u>	<u>\$ 91,016,998</u>	<u>\$ 401,293,821</u>

Note: Amounts represented in repayment schedule for accreted interest are reflective of 100% of amounts to be repaid. Amounts represented as accreted interest in debt summary are reflective of amounts that have accrued as of June 30, 2015.

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

4. Capital Leases

In August 2014, the District entered into a lease agreement with Capital One Financing to refinance an equipment lease the District held with SunTrust Bank which was used to purchase equipment for the District. The lease requires annual principal payments as scheduled along with semi-annual interest payments at a rate of 2.8%. Upon final payment the title to the equipment transfers to the District.

Commitments under capitalized lease agreements provide for minimum future lease payments as of June 30, 2015, as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 330,000	\$ 140,000	\$ 470,000
2017	345,000	130,550	475,550
2018	350,000	120,820	470,820
2019	365,000	110,810	475,810
2020	375,000	100,450	475,450
2021-2025	2,035,000	336,630	2,371,630
2026-2030	1,365,000	51,660	1,416,660
Totals	<u>\$ 5,165,000</u>	<u>\$ 990,920</u>	<u>\$ 6,155,920</u>

5. Certificates of Participation

Certificates of participation as of June 30, 2015 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Amount</u>
2009 Series A Refunding	10/14/2009	2.00-5.00%	10/01/2041	\$ <u>50,710,000</u>
	<u>Amount Outstanding 7/01/2014</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Amount Outstanding 6/30/2015</u>
2009 Series A Refunding	\$ 44,525,000	\$ -	\$ 1,650,000	\$ 42,875,000
COPs Premium	395,660	-	15,618	380,042
	<u>\$ 44,920,660</u>	<u>\$ -</u>	<u>\$ 1,665,618</u>	<u>\$ 43,255,042</u>

Future commitments for certificates of participation, net of premium as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,230,000	\$ 2,096,312	\$ 3,326,312
2017	1,275,000	2,039,837	3,314,837
2018	1,340,000	1,974,462	3,314,462
2019	1,405,000	1,911,106	3,316,106
2020	1,465,000	1,844,625	3,309,625
2021-2025	8,500,000	8,019,000	16,519,000
2026-2030	10,860,000	5,610,500	16,470,500
2031-2035	11,070,000	2,720,500	13,790,500
2036-2040	5,255,000	657,875	5,912,875
2041-2045	475,000	13,875	488,875
Totals	<u>\$ 42,875,000</u>	<u>\$ 26,888,092</u>	<u>\$ 69,763,092</u>

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

6. Special Tax Bonds

Special tax bonds as of June 30, 2015 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Amount</u>
1997 Special Tax Bonds	05/06/1997	3.50-4.80%	09/01/2014	\$ 12,460,000
2014 Special Tax Bonds	06/26/2014	3.65%	09/01/2029	1,825,000
				<u>14,285,000</u>

	<u>Amount Outstanding 7/01/2014</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Amount Outstanding 6/30/2015</u>
1997 Special Tax Bonds	\$ 1,220,000	\$ -	\$ 1,220,000	\$ -
2014 Special Tax Bonds	1,825,000	-	-	1,825,000
	<u>3,045,000</u>	<u>-</u>	<u>1,220,000</u>	<u>1,825,000</u>

Debt service requirements on special tax bonds as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 95,000	\$ 64,879	\$ 159,879
2017	95,000	61,412	156,412
2018	100,000	57,853	157,853
2019	105,000	54,112	159,112
2020	105,000	50,279	155,279
2021-2025	600,000	188,888	788,888
2026-2030	725,000	67,979	792,979
Totals	<u>\$ 1,825,000</u>	<u>\$ 548,231</u>	<u>\$ 2,373,231</u>

Special tax bonds are issued by the Carlsbad Unified School District Community Facilities District's (CFD's) which are included in the audit as a blended component unit of the District. The CFD's are funded by Mello-Roos taxes which will be used to repay these bonds. The repayment of these bonds will not be the obligation of the District outside of the CFD's.

7. 2011 General Obligation Bonds

In June 2011, the District issued \$52,998,238 in Tax-Exempt General Obligation Bonds, 2011 Series C, and \$25,000,000 in Taxable General Obligation Bonds, 2011 Series D, under authorization of the 2006 election conducted within the Carlsbad Unified School District. The Bonds are being issued to finance the construction, acquisition, furnishing and equipping of District facilities in addition to paying certain costs associated with the bonds issuance. The Bonds are the third and fourth series of bonds issued under the 2006 election authorization and are on parity with all other general obligation bonds of the District.

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The Tax-Exempt General Obligation Bonds consist of current interest bonds, capital appreciation bonds, and convertible capital appreciation bonds. The Bonds will mature through various dates and will bear or accrete interest at variable rates ranging from 4.00% to 6.63% up to August 1, 2035. Interest on the current interest bonds is payable commencing February 1, 2012, and semiannually thereafter on February 1 and August 1 of each year. The capital appreciation bonds and convertible capital appreciation bonds will increase in value by the accumulation of earned interest from their initial principal amounts on the date of delivery to their respective accreted values at maturity. Interest on the capital appreciation bonds and convertible capital appreciation bonds will be compounded on each February 1 and August 1, commencing August 1, 2011, and will be payable solely at maturity as part of the maturity value. Principal payments on the bonds are due August 1 of each year commencing August 1, 2012 and annually thereafter through the maturity date of August 1, 2035.

The Taxable General Obligation Bonds are issued as current interest bonds with interest payable commencing February 1, 2012 and semiannually thereafter on February 1 and August 1 of each year through the maturity date of August 1, 2026. The bonds bear interest at variable rates ranging from 4.58% to 5.23% with principal payments due in two equal installments of \$12,500,000 on August 1, 2021 and August 1, 2026.

8. Bond Premium

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond. The premiums are amortized over the life of the bond using the straight line method.

The following bonds were issued at a premium resulting in effective interest as follows:

	2006 Series A	2006 Series B	2006 Series C	2006 Series D	2014 Bonds
Total Interest	\$ 28,622,113	\$ 91,617,432	\$ 95,703,430	\$ 15,680,111	\$ 5,324,322
Less Bond Premium	(1,352,207)	(2,315,200)	(1,465,217)	(1,134,927)	(1,671,542)
Net Interest	<u>27,269,906</u>	<u>89,302,232</u>	<u>94,238,213</u>	<u>14,545,184</u>	<u>3,652,780</u>
Par Amount of Bonds	\$ 40,000,000	\$ 79,998,017	\$ 52,998,238	\$ 25,000,000	\$ 16,495,000
Periods	25	26	24	15	14
Effective Interest Rate	2.73%	4.29%	7.41%	3.88%	1.58%

9. COPs Premium

COPs premium arises when the market rate of interest is higher than the stated interest rate on the COPs. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the COPs and then be amortized over the life of the COPs. The premium is being amortized over the life of the COPs using the straight line method.

The following COPs were issued at a premium resulting in effective interest as follows:

	2009 COPs
Total Interest	\$ 39,200,335
Less COPs Premium	(468,544)
Net Interest	<u>38,731,791</u>
Par Amount of COPs	\$ 50,710,000
Periods	32
Effective Interest Rate	2.39%

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

N. Joint Ventures (Joint Powers Agreements)

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

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

Combined condensed unaudited financial information for the year ended June 30, 2015 is as follows:

	Workers Compensation Fund	Property & Liability Fund	Miscellaneous Property Fund	Combined SDCSRM Total
Total Assets	\$ 2,045,937	\$ 260	\$ 30,611	\$ 2,076,808
Total Liabilities	2,036,195	257,795	164	2,294,154
Total Fund Balance	<u>\$ 9,742</u>	<u>\$ (257,535)</u>	<u>\$ 30,447</u>	<u>\$ (217,346)</u>
Total Cash Receipts	\$ 1,011,261	\$ 399,127	\$ 25,141	\$ 1,435,529
Total Cash Disbursements	789,044	391,862	17,518	1,198,424
Net Change in Fund Balance	<u>\$ 222,217</u>	<u>\$ 7,265</u>	<u>\$ 7,623</u>	<u>\$ 237,105</u>

The district has a deficit ending fund balances in one fund within the SDCSRM. The district is working with the JPA to establish a plan to repay the deficit. As of June 30, 2015 a repayment plan is not yet in place.

O. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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 California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	CalSTRS		CalPERS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date				
Benefit Formula	2% at 60	2% at 62	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*	1.1 - 2.5%	1.0 - 2.5%
Required employee contribution rates (Average)	8.000%	8.000%	6.974.%	6.974.%
Required employer contribution rates	8.250%	8.250%	11.442%	11.442%

*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions - CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.442% of annual payroll.

d. Contributions - CalSTRS

For the measurement period ended June 30, 2014 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.25% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

e. On Behalf Payments.

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2014 (measurement date) the State contributed 5.204002% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

f. Contributions Recognized & Pension Expense

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Contributions - Employer	1,999,506	1,313,754
Contributions - Employee (paid by employer)	1,991,979	812,693
Contributions - State On Behalf Payments	1,217,452	-
Total Contributions	<u>\$ 5,208,937</u>	<u>2,126,446</u>

Pension expense for each plan were as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Change in Net Pension Liability	\$ (11,440,000)	\$ (4,471,625)
Net difference between projected and actual earnings on plan investments	12,663,200	4,259,700
Total employer and state contributions	5,208,937	2,126,446
Total Pension Expense	<u>\$ 6,432,137</u>	<u>\$ 1,914,521</u>

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
CalSTRS	\$ 51,424,546
CalPERS	12,396,859
Total Net Pension Liability	<u>\$ 63,821,405</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. Although a valid comparison of the District's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Proportion - June 30, 2013	0.0880%	0.1092%
Proportion - June 30, 2014	0.0880%	0.1092%
Change - Increase (Decrease)	<u>-</u>	<u>-</u>

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$8,346,659. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 11,492,044	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net difference between projected and actual earnings on plan investments	-	(16,922,900)
Total	\$ 11,492,044	\$ (16,922,900)

\$11,492,044 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	\$ (4,230,725)
2017	(4,230,725)
2018	(4,230,725)
2019	(4,230,725)
Total	<u>(16,922,900)</u>

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	CalSTRS	CalPERS
	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.6%	7.5%
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.6% (2)	7.5% (2)
Mortality	.013%-0.435% (3)	0.00125-0.45905 (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Depending on age, gender, and type of job

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

b. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.50% for CalPERS. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Strategic Allocation	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

c. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.60%	6.50%
Net Pension Liability	\$ 90,210,417	\$ 21,746,920
Current Discount Rate	7.60%	7.50%
Net Pension Liability	\$ 51,424,560	\$ 12,396,859
1% Increase	8.60%	8.50%
Net Pension Liability	\$ 19,015,066	\$ 4,583,940

d. Pension Plan Fiduciary Net Position

CalSTRS

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance at June 30, 2014	\$ 209,251,680	\$ 146,387,040	\$ 62,864,640
Changes for the year:			
Service cost	4,697,440	-	4,697,440
Interest	15,683,360	-	15,683,360
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	1,999,506	(1,999,506)
Contributions - Employee	-	1,991,979	(1,991,979)
Contributions - State On Behalf	-	1,217,452	(1,217,452)
Net investment income	-	26,753,675	(26,753,675)
Other income	-	1,808	(1,808)
Benefit payments, including refunds of employee contributions	(10,590,800)	(10,590,937)	137
Administrative expenses	-	(135,656)	135,656
Other expenses	-	(7,733)	7,733
Net Changes	<u>9,790,000</u>	<u>21,230,094</u>	<u>(11,440,094)</u>
Balance at June 30, 2015	<u>\$ 219,041,680</u>	<u>\$ 167,617,134</u>	<u>\$ 51,424,546</u>

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 71,019,461	\$ 54,150,977	\$ 16,868,484
Changes for the year:			
Service cost	1,721,021	-	1,721,021
Interest	5,262,477	-	5,262,477
Differences between expected and actual experience	-	-	
Contributions - Employer	-	1,313,754	(1,313,754)
Contributions - Employee	-	812,693	(812,693)
Net investment income	-	9,328,677	(9,328,677)
Benefit payments, including refunds of employee contributions	(3,427,222)	(3,427,222)	
Administrative expenses	-	-	
Other expenses	-	-	-
Net Changes	<u>3,556,276</u>	<u>8,027,902</u>	<u>(4,471,626)</u>
Balance at June 30, 2015	<u>\$ 74,575,737</u>	<u>\$ 62,178,879</u>	<u>\$ 12,396,858</u>

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

P. Postemployment Benefits Other Than Pension Benefits

Plan Description

The Carlsbad Unified School District (District) administers a single-employer healthcare plan (Plan). The plan provides medical benefits to eligible retirees and their eligible dependents to age 65. Eligibility for retiree health benefits requires retirement from the District with at least 10 years of eligible service (15 years for Classified employees and for Certificated employees hired on or after November 1, 2008). The retirees are required to contribute to the cost of the health care coverage based on an active employee contribution schedule. Membership of the plan consists of approximately 765 eligible active employees and 83 eligible retirees.

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the Teachers Association (CEA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-15, the District contributed \$1,344,349 to the Plan, all of which was used for current premiums.

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 3,581,869
Interest on net OPEB obligation	47,141
Adjustment to annual required contribution	(806,983)
Annual OPEB cost (expense)	<u>2,822,027</u>
Contribution made	(1,344,349)
Increase in net OPEB obligation	<u>1,477,678</u>
Net OPEB obligation, beginning of year	11,697,610
Net OPEB obligation, end of year	<u>\$ 13,175,288</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013, 2014 and 2015 was as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	\$ 3,077,892	38.93%	\$ 10,150,126
2014	2,650,842	41.62%	11,697,610
2015	2,822,027	47.64%	13,175,288

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Medical cost trend rates ranged from an initial rate of 8.0% reduced to a rate of 5.0% after ten years. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2014 of 24 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

Q. Deferred Inflows of Resources

GASB Statement No. 68 requires that the net difference between projected and actual earnings on pension plan investments be recorded as a deferred outflow or deferred inflow of resources and amortized over four years. For the year ended June 30, 2015 amounts recorded as deferred inflows of resources are pension related. Amortization is detailed in note P.

R. 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 \$140,710 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, 2015 are indicated below:

Internal Service Fund:	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Year 2014-15	\$ 125,000	\$ 1,137,448	\$ 1,121,658	\$ 140,790

S. Construction Commitments

As of June 30, 2015 the District had the following commitments with respect to unfinished capital projects:

	Commitment	*Expected Date of Final Completion
Construction in Process:		
Buena Vista Modernization	\$ 990,864	08/27/2015
Magnolia Modernization	404,751	08/20/2015
Kelly Modernization	156,514	08/20/2015
Hope Modernization	623,835	08/20/2015
Pacific Rim Modernization	105,723	08/20/2015
Calavera Hills Modernization	134,584	08/20/2015
Total Construction Commitments	<u>2,416,271</u>	

* Expected date of final completion subject to change

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

T. 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.

U. Adjustment to Beginning Net Position

The District implemented GASB Statement No. 68 & 71 during the current fiscal year which resulted to accounting changes for net pension liability. Under previous standards, net pension liability was not recorded on the statement of net position. Under newly implemented standards the net pension liability is recorded as a liability on the statement of net position. In addition, resulting from a difference in the measurement date for the net pension liability any contributions to pensions subsequent to the measurement date are now recorded as deferred outflows of resources. In addition to the change in accounting policies, the district made corrections for compensated absences that were discovered during the year. The combination of changes due to accounting policies and correction of errors resulted in an adjustment to beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ 98,564,216
Adjustments for:	
Change in Accounting Policy - Net Pension Liability	(79,733,044)
Change in Accounting Policy - Deferred Outflows Pension Related	7,335,167
Correction of Errors - Compensated Absences	<u>(146,954)</u>
Net Position, Beginning (As Restated)	<u>\$ 26,019,385</u>

V. Subsequent Events

New Accounting Pronouncements

GASB Statement No. 72

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches:

The Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The Cost Approach: This approach reflects the amount that would be required to replace the present service capacity of the asset.

The Income Approach: This approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

CARLSBAD UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

In addition to establishing fair value techniques the Statement establishes a hierarchy of inputs to valuation techniques and requires additional note disclosures about fair value in the financial statements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The Statement is effective for years beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

GASB Statement No. 76

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles For State and Local Governments. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55 and is effective for financial statement periods beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

Required Supplementary Information

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

CARLSBAD UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 935,383	\$ 912,282	\$ 912,282	\$ -
Education Protection Account Funds	2,113,736	2,119,598	2,119,162	(436)
Local Sources	64,974,443	68,868,418	69,163,569	295,151
Federal Revenue	2,827,588	3,316,351	3,187,071	(129,280)
Other State Revenue	2,799,465	3,661,798	5,813,724	2,151,926
Other Local Revenue	7,012,284	8,639,735	8,735,337	95,602
Total Revenues	<u>80,662,899</u>	<u>87,518,182</u>	<u>89,931,145</u>	<u>2,412,963</u>
Expenditures:				
Current:				
Certificated Salaries	40,658,885	43,054,651	42,734,897	319,754
Classified Salaries	11,735,425	12,163,236	12,323,137	(159,901)
Employee Benefits	17,976,455	18,710,300	20,672,134	(1,961,834)
Books And Supplies	3,676,071	3,555,640	2,781,651	773,989
Services And Other Operating Expenditures	10,793,846	12,617,686	11,425,894	1,191,792
Other Outgo	299,402	573,414	543,687	29,727
Capital Outlay	53,000	624,414	599,620	24,794
Total Expenditures	<u>85,193,084</u>	<u>91,299,341</u>	<u>91,081,020</u>	<u>218,321</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,530,185)</u>	<u>(3,781,159)</u>	<u>(1,149,875)</u>	<u>2,631,284</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(4,530,185)</u>	<u>(3,781,159)</u>	<u>(1,149,875)</u>	<u>2,631,284</u>
Fund Balance, July 1	16,375,099	16,375,099	16,375,099	-
Fund Balance, June 30	<u>\$ 11,844,914</u>	<u>\$ 12,593,940</u>	<u>\$ 15,225,224</u>	<u>\$ 2,631,284</u>

CARLSBAD UNIFIED SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS

YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
07/01/08	\$ -	\$ 23,978,144	\$ 23,978,144	-	\$ 54,949,969	43.6%
07/01/10	-	21,311,881	21,311,881	-	54,966,070	38.8%
07/01/12	-	22,476,207	22,476,207	-	43,482,000	51.7%
07/01/14	-	26,048,296	26,048,296	-	46,812,000	55.6%

CARLSBAD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.0880%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 51,424,546	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 24,187,680	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.61%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first implementation year and as such, no information is being presented for years prior to implementation.

Notes to Schedule:

- 1) Benefit Changes: In 2015 there were no changes to benefits.
- 2) Changes in Assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

CARLSBAD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 3,991,485	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(3,991,485)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 24,187,680	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	16.50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 is the first year of implementation and as such, information is not being presented for years prior to implementation.

Notes to Schedule:

Actuarial methods and assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth (Average)	3.75%
Post-retirement Benefit Increases	2.00% simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

CARLSBAD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.1092%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 12,396,859	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 11,998,178	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	103.32%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule:

- 1) Benefit changes: In 2015 there were no changes to the benefits.
- 2) Changes in assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

CARLSBAD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 2,126,447	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(2,126,447)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 11,998,178	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	17.72%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 fiscal year was the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived using CalPERS Membership Data for all funds
Post Retirement Increase	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

Combining Statements and Budget Comparisons as Supplementary Information

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

CARLSBAD UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue Fund	Debt Service Fund		Total Nonmajor Governmental Funds (See Exhibit A-3)
	Cafeteria Fund	Blended Component Unit	Capital Projects Funds	
ASSETS:				
Cash in County Treasury	\$ 162,408	\$ -	\$ 1,448,398	\$ 1,610,806
Accounts Receivable	231,519	-	1,293	232,812
Stores Inventories	72,120	-	-	72,120
Prepaid Expenditures	52,183	-	-	52,183
Total Assets	<u>518,230</u>	<u>-</u>	<u>1,449,691</u>	<u>1,967,921</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 134,430	\$ -	\$ -	\$ 134,430
Due to Other Funds	573	-	31,732	32,305
Total Liabilities	<u>135,003</u>	<u>-</u>	<u>31,732</u>	<u>166,735</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	72,120	-	-	72,120
Prepaid Items	52,183	-	-	52,183
Restricted Fund Balances	258,924	-	1,417,959	1,676,883
Total Fund Balance	<u>383,227</u>	<u>-</u>	<u>1,417,959</u>	<u>1,801,186</u>
Total Liabilities and Fund Balances	<u>\$ 518,230</u>	<u>\$ -</u>	<u>\$ 1,449,691</u>	<u>\$ 1,967,921</u>

CARLSBAD UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Fund	Debt Service Fund		Total Nonmajor Governmental Funds (See Exhibit A-5)
	Cafeteria Fund	Blended Component Unit	Capital Projects Funds	
Revenues:				
Federal Revenue	\$ 1,138,365	\$ -	\$ -	\$ 1,138,365
Other State Revenue	95,841	-	-	95,841
Other Local Revenue	1,283,198	-	1,061,000	2,344,198
Total Revenues	<u>2,517,404</u>	<u>-</u>	<u>1,061,000</u>	<u>3,578,404</u>
Expenditures:				
Pupil Services	2,551,257	-	-	2,551,257
General Administration	-	-	31,732	31,732
Plant Services	-	-	16,361	16,361
Debt Service:				
Principal	-	2,870,000	-	2,870,000
Interest	-	2,227,506	-	2,227,506
Total Expenditures	<u>2,551,257</u>	<u>5,097,506</u>	<u>48,093</u>	<u>7,696,856</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(33,853)</u>	<u>(5,097,506)</u>	<u>1,012,907</u>	<u>(4,118,452)</u>
Other Financing Sources (Uses):				
Transfers In	-	5,097,506	-	5,097,506
Total Other Financing Sources (Uses)	<u>-</u>	<u>5,097,506</u>	<u>-</u>	<u>5,097,506</u>
Net Change in Fund Balance	(33,853)	-	1,012,907	979,054
Fund Balance, July 1	417,080	-	405,052	822,132
Fund Balance, June 30	<u>\$ 383,227</u>	<u>\$ -</u>	<u>\$ 1,417,959</u>	<u>\$ 1,801,186</u>

CARLSBAD UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2015

	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 1,448,398	\$ -	\$ 1,448,398
Accounts Receivable	1,293	-	1,293
Total Assets	<u>1,449,691</u>	<u>-</u>	<u>1,449,691</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Due to Other Funds	\$ 31,732	\$ -	\$ 31,732
Total Liabilities	<u>31,732</u>	<u>-</u>	<u>31,732</u>
Fund Balance:			
Restricted Fund Balances	1,417,959	-	1,417,959
Total Fund Balance	<u>1,417,959</u>	<u>-</u>	<u>1,417,959</u>
Total Liabilities and Fund Balances	<u>\$ 1,449,691</u>	<u>\$ -</u>	<u>\$ 1,449,691</u>

CARLSBAD UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 1,061,000	\$ -	\$ 1,061,000
Total Revenues	<u>1,061,000</u>	<u>-</u>	<u>1,061,000</u>
Expenditures:			
General Administration	31,732	-	31,732
Plant Services	16,355	6	16,361
Total Expenditures	<u>48,087</u>	<u>6</u>	<u>48,093</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,012,913</u>	<u>(6)</u>	<u>1,012,907</u>
Net Change in Fund Balance	1,012,913	(6)	1,012,907
Fund Balance, July 1	405,046	6	405,052
Fund Balance, June 30	<u>\$ 1,417,959</u>	<u>\$ -</u>	<u>\$ 1,417,959</u>

Other Supplementary Information

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

Supplementary Information Section

CARLSBAD UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2015

The Carlsbad Unified School District was established in 1921, and encompasses approximately 30 square miles and includes most of the City of Carlsbad and a small part of the City of Oceanside in San Diego County. The Carlsbad Unified School District provides a quality educational program for approximately 11,000 students in grades K-12 plus preschool. The District is currently operating nine elementary schools, three middle schools, two high schools, one continuation school, and one alternative school that includes an opportunity program, full-time independent study, and adult education.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Veronica Williams	President	Four year term Expires December 2018
Claudine Jones	Vice President	Four year term Expires December 2018
Elisa Williamson	Clerk	Four year term Expires December 2016
Ray Pearson	Member	Four year term Expires December 2016
Kathy Rallings	Member	Four year term Expires December 2018

Administration

Suzette Lovely, Ed.D.
Superintendent

Suzanne O'Connell
Deputy Superintendent
Administrative Services

Richard Grove
Assistant Superintendent
Personnel Services

Robert Nye, Ed.D.
Assistant Superintendent
Instructional Services

CARLSBAD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2015

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	3,081.07	N/A	3,072.09	N/A
Extended Year Special Education	6.05	N/A	6.05	N/A
Nonpublic, Nonsectarian Schools	1.99	N/A	1.99	N/A
Extended Year - Nonpublic	0.26	N/A	0.26	N/A
TK/K-3 Totals	<u>3,089.37</u>	<u>N/A</u>	<u>3,080.39</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	2,509.71	N/A	2,503.52	N/A
Extended Year Special Education	3.30	N/A	3.30	N/A
Nonpublic, Nonsectarian Schools	4.07	N/A	4.72	N/A
Extended Year - Nonpublic	0.51	N/A	0.51	N/A
Grades 4-6 Totals	<u>2,517.59</u>	<u>N/A</u>	<u>2,512.05</u>	<u>N/A</u>
Grades 7-8:				
Regular ADA	1,613.32	N/A	1,609.12	N/A
Extended Year Special Education	2.19	N/A	2.19	N/A
Nonpublic, Nonsectarian Schools	1.92	N/A	1.70	N/A
Extended Year - Nonpublic	0.41	N/A	0.41	N/A
Grades 7-8 Totals	<u>1,617.84</u>	<u>N/A</u>	<u>1,613.42</u>	<u>N/A</u>
Grades 9-12:				
Regular ADA	3,353.99	N/A	3,331.08	N/A
Extended Year Special Education	3.95	N/A	3.95	N/A
Nonpublic, Nonsectarian Schools	10.98	N/A	10.86	N/A
Extended Year - Nonpublic	2.52	N/A	2.52	N/A
Grades 9-12 Totals	<u>3,371.44</u>	<u>N/A</u>	<u>3,348.41</u>	<u>N/A</u>
ADA totals	<u>10,596.24</u>	<u>N/A</u>	<u>10,554.27</u>	<u>N/A</u>

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

CARLSBAD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2015

TABLE D-2

Grade Level	Ed. Code 46207 Minutes Requirement	Ed. Code 46207 Adjusted & Reduced	2014-15 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	35,000	36,000	180	-	Complied
Kindergarten	36,000	35,000	36,000	180	-	Complied
Grade 1	50,400	49,000	54,005	180	-	Complied
Grade 2	50,400	49,000	54,005	180	-	Complied
Grade 3	50,400	49,000	54,005	180	-	Complied
Grade 4	54,000	52,500	54,005	180	-	Complied
Grade 5	54,000	52,500	54,005	180	-	Complied
Grade 6	54,000	52,500	59,311	180	-	Complied
Grade 7	54,000	52,500	59,311	180	-	Complied
Grade 8	54,000	52,500	59,311	180	-	Complied
Grade 9	64,800	63,000	64,725	180	-	Complied
Grade 10	64,800	63,000	64,980	180	-	Complied
Grade 11	64,800	63,000	64,560	180	-	Complied
Grade 12	64,800	63,000	64,560	180	-	Complied

School districts, including basic aid districts, must maintain their instructional minutes as defined in Education Code Section 46207. 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 46207. The District neither met nor exceeded its target funding.

CARLSBAD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2015

TABLE D-3

General Fund	Budget 2016 (Note 1)	2015	2014	2013
Revenues and other financial sources	\$ 97,988,705	\$ 89,931,145	\$ 85,625,087	\$ 84,770,843
Expenditures, other uses and transfers out	92,245,278	91,081,020	83,989,022	79,742,408
Change in fund balance (deficit)	5,743,427	(1,149,875)	1,636,065	5,028,435
Ending fund balance	\$ 20,968,652	\$ 15,225,225	\$ 16,375,100	\$ 14,739,035
Available reserves (Note 2)	\$ 15,906,169	\$ 10,107,048	\$ 13,374,788	\$ 13,501,582
Available reserves as a percentage of total outgo (Note 3)	17.2%	11.4%	16.3%	17.4%
Total long-term debt	\$ 347,282,921	\$ 358,209,068	\$ 295,854,203	\$ 292,070,422
Average daily attendance at P-2	10,595	10,596	10,561	10,496

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

The general fund balance has increased by \$5,514,625 (56.79%) over the past three years. The fiscal year 2015-2016 budget projects an increase of \$5,743,427 (37.72%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$66,138,646 over the past two years. (Note 4)

Average daily attendance has increased by 100 over the past two years.

Notes:

- 1 Budget 2016 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all assigned fund balances, all unassigned fund balances, and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$2,140,349, \$2,077,065, and \$1,950,613, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014 and 2013.
- 4 As a result of implementation of GASB Statement No. 68, long term liabilities for the year ended June 30, 2015 include net pension liabilities which were not previously accounted for. As such, total long term debt for the year ended June 30, 2015 is not comparable to previous years represented in this table.

CARLSBAD UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

TABLE D-4

Fund balances as reported in the District's Annual Financial and Budget Report were in agreement with fund balances as reported in the Audited Financial Statements for all funds.

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 Carlsbad Unified School District.

<u>Charter Schools</u>	Included In Audit?
None	N/A

CARLSBAD UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF THE TREASURY</u>			
Direct Program:			
Federal Interest Subsidy	21.XXX	-	\$ 1,115,783
Total U. S. Department of the Treasury			<u>1,115,783</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Programs:			
Medi-Cal	93.778	-	323,268
Total Direct Programs			<u>323,268</u>
Total U. S. Department of Health and Human Services			<u>323,268</u>
<u>U. S. DEPARTMENT OF THE INTERIOR</u>			
Direct Programs:			
Wildlife Restoration	15.611	-	1,596
Total U. S. Department of The Interior			<u>1,596</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
Title I Part A	84.010	14329	1,094,930
Special Education Cluster:			
Special Education: IDEA Mental Health	84.027	14468	122,167
Special Education: IDEA Basic	84.027	13379	1,282,679
Special Education: IDEA Preschool Local	84.027A	13682	64,307
Special Education: IDEA Preschool	84.173	13430	32,080
Total Special Education Cluster			<u>1,501,233</u>
Vocational Education	84.048	13922	66,751
Title III Cluster:			
Title III Immigrant Education Program	84.365	15146	23,518
Title III Limited English Proficiency	84.365	14346	95,332
Total Title III Cluster			<u>118,850</u>
Title II Teacher Quality	84.367	14341	214,074
Total Passed Through State Department of Education			<u>2,995,838</u>
Total U. S. Department of Education			<u>2,995,838</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	13526	293,799
National School Lunch Program Section 4	10.555	13391	155,165
National School Lunch Meal Supplement	10.555	13396	13,177
Commodity Supplemental Food Program *	10.555	13396	91,314
National School Lunch Program Section 11	10.555	13396	676,224
Total Child Nutrition Cluster			<u>1,229,679</u>
Total Passed Through State Department of Education			<u>1,229,679</u>
Total U. S. Department of Agriculture			<u>1,229,679</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>5,666,164</u>

* Indicates noncash expenditures

The accompanying notes are an integral part of this schedule.

CARLSBAD UNIFIED SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2015

1. Basis of Presentation

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

2. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Title II Teacher Quality	84.367	\$ 9,816

Other Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Carlsbad Unified School District
Carlsbad, California 92008

Members of the Board of Trustees:

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carlsbad Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Carlsbad Unified School District's basic financial statements, and have issued our report thereon dated December 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Carlsbad Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carlsbad Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Carlsbad Unified School District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2015-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Carlsbad Unified School District's financial statements are free from 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) 2015-002 and 2015-003.

Carlsbad Unified School District's Response to Findings

Carlsbad Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Carlsbad Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 7, 2015

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Carlsbad Unified School District
Carlsbad, California 92008

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Carlsbad Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Carlsbad Unified School District's major federal programs for the year ended June 30, 2015. Carlsbad Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Carlsbad Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Carlsbad Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Carlsbad Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Carlsbad Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Carlsbad Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Carlsbad Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Carlsbad Unified School District's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 7, 2015

Independent Auditor's Report on State Compliance

Board of Trustees
Carlsbad Unified School District
Carlsbad, California 92008

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2015.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. 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 the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the 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 the District's compliance with those requirements.

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:

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	No
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	N/A
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	Yes
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

We did not perform testing for Independent Study or Continuation Education because the ADA reported by the District was below the level that required testing.

Opinion on State Compliance

In our opinion, Carlsbad Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002 and 2015-003. We did not modify our opinion with respect to these matters.

Carlsbad Unified School District's Response to Findings

Carlsbad Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Carlsbad Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 7, 2015

Findings and Recommendations Section

CARLSBAD UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? X Yes 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: Unmodified

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
21.XXX	Federal Interest Subsidy
84.027 & 84.173	Special Education Cluster
84.367	Title III Cluster
93.778	Medi-Cal

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

CARLSBAD UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies?

X Yes No

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

Unmodified

B. Financial Statement Findings

Finding 2015-001 (30000)
Associated Student Body Deposits

Criteria or Specific Requirement

Verify that the District has procedures in place to ensure safeguarding of associated student body funds. The policies and procedures should be designed to prevent, detect and deter material misstatements whether due to fraud or error.

Condition

In our review of Associated Student Body (ASB) deposits at Valley Middle School we noted that three out of ten deposits tested did not contain documentation sufficient to support the amount of revenue collected. Two of the deposits in question were counted by and signed off by one individual and one deposit was missing a ticket reconciliation.

Questioned Costs

None

Context

The District has established policies requiring all cash be counted by two parties and that both parties sign the cash count form to document the procedure being followed. In addition, the District has established policies requiring ticket reconciliations for any event for which tickets are sold. These procedures have been established to prevent, detect, and deter material misstatements whether due to fraud or error.

Cause

The ASB clerk was on maternity leave for a portion of the school year. Substitutes hired to cover during maternity leave did not consistently follow the District's policies for deposits of ASB funds.

Effect

ASB funds were exposed to risk of misappropriation of assets.

Recommendation

We recommend that any individual filling a position that involves cash handling and deposits, such as substitutes for an ASB Clerk, be provided with a training on the District's policies and procedures for deposits. In addition, we recommend that the district implement a review process to ensure policies and procedures are being followed.

LEA's Response

The District will continue to work with sites on cash handling procedures to ensure safeguarding of associated student body funds.

CARLSBAD UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2015-002 (10000)
Attendance Reporting

Criteria or Specific Requirement

Verify that attendance reported to the California Department of Education were prepared with accurate information in accordance with approved attendance procedures.

Condition

During our testing of attendance at Jefferson Elementary School for school month seven, we noted that attendance records from the on-line system were not being printed out within one week of the attendance being taken. As such teacher verifications were not happening within one week of the attendance week.

Context

In accordance with California Education Code Section 44809 and California Code of Regulations, Title 5, Section 401, the California Department of Education is required to approve forms and procedures that constitute LEAs attendance accounting systems. Currently, the California Department of Education approves attendance systems in which teachers manually sign and date attendance registers, depending on the type of attendance accounting system used. For on-line attendance accounting systems, approval is given to systems that provide for teachers signing and dating weekly printout of attendance records entered on-line during the previous week.

Questioned Costs

None, we were able to determine attendance was accurately reported through additional tests of attendance and do not have any revisions to the P2 or Annual reports of attendance. We consider this to be an internal control over compliance finding.

Cause

The school site was not following the district's approved attendance procedures. The district did not have a procedure in place to ensure school sites are following approved procedures.

Effect

The school site was not in compliance with approved attendance procedures.

Recommendation

Establish procedures to ensure that all teachers at all sites are providing attendance verification reports weekly. Provide training to attendance staff and teacher to ensure they understand the district's approved attendance procedures.

LEA's Response

The District will continue to work with school sites to ensure all sites are following approved attendance procedures.

CARLSBAD UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Finding 2015-003 (40000)
After School Education and Safety Program

Criteria or Specific Requirement

In the before school program, determine whether attendance claimed was for students who were in attendance for more than one half of the program and if not present for the entire program are counted in a manner consistent with the District's late arrival policy. In the after school program, determine whether attendance claimed was for students who attended the entire program, or if a student left early and were counted that the early release was consistent with the District's early release policy.

Condition

In our review of sign in and sign out sheets at Jefferson Elementary School we noted that sign in and sign out times were whited out and intentionally changed. We were not able to determine actual times students arrived or left the program.

Context

For the before school program, A student who attends less than one half of the daily program hours can not be counted for the purposes of attendance (Education Code Section 8483.1[a][2][B]). It is the intent of legislature that students participate in the entire program (Education Code Section 8483[a][2]); however, students may be counted if their late arrival is consistent with the District's late arrival policy (Education Code Section 8483.1[a]). For the after school program it is the intent of legislature that students participate in the entire program (Education Code Section 8483[a][2]); however, students may be counted if their early release is consistent with the District's early release policy (Education Code Section 8483[a][1]).

Questioned Costs

\$123,139

Cause

The individual charged with the responsibility to monitor sign in and sign out sheets did not understand the importance of the data. There was not an established review process to prevent intentional alteration of the data.

Effect

We were unable to determine whether students claimed for attendance met the requirements established in Education Code Section 8483.

Recommendation

Provide training to staff charged with the responsibility of monitoring the sign in and sign out times to ensure understanding of the documentation requirements. Implement review procedures to ensure district's policies and procedures are being followed and the information is accurately reported.

LEA's Response

The District will provide training to school sites and implement review procedures to ensure school sites are following District established policies and procedures.

CARLSBAD UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2014-1 (50000) Allowable Costs/Cost Principles Federal Time Accounting</p> <p>In our review of employees charged to major programs we noted that the District did not have a system in place to document federal salaries and wages consistent with the requirements of OMB Circular A-87.</p>		
<p>Implement procedures to ensure all employees charged to federal programs have documentation that meets the requirements of OMB Circular A-87.</p>	Implemented	
<p>Finding 2014-2 (10000) Attendance Reporting</p> <p>Teachers at Aviara Oaks Elementary School did not verify attendance within one week of the attendance being taken.</p>		
<p>Establish procedures to ensure that all teachers at all sites are providing attendance verification reports weekly. Provide training to attendance staff to ensure they understand the District's approved attendance procedures.</p>	Partially Implemented	See finding 2015-002
<p>Finding 2014-3 (70000) Instructional Materials</p> <p>The District's public hearing to determine the sufficiency of instructional materials was held after the eighth week of school.</p>		
<p>Hold a public hearing within the first eight weeks of school to determine the sufficiency of instructional materials.</p>	Implemented	

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Carlsbad Unified School District (the "District") in connection with the execution and delivery of its \$41,805,000 Certificates of Participation (2016 Refunding and School Financing Projects) (the "Certificates"). The Certificates are being executed pursuant to a Trust Agreement, dated as of November 1, 2016, by and among the District, U.S. Bank National Association, as trustee (the "Trustee") and the Carlsbad Unified School District Educational Facilities Corporation (the "Corporation"). The District covenants as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

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

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

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

"Disclosure Representative" shall mean the Superintendent of the District, the Deputy Superintendent, Administrative Services of the District, or their designee, or such other officer or employee as the District shall designate in writing from time to time.

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

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

"Official Statement" shall mean the Official Statement relating to the Certificates, dated October 6, 2016.

"Participating Underwriter" shall mean Piper Jaffray & Co. or any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or, upon delivery of the Annual Report to the Dissemination Agent, shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the fiscal year ending June 30, 2016, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a timely notice to the Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) The District’s audited financial statements, prepared in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

- (i) State funding received by the District for the last completed fiscal year;
- (ii) Average Daily Attendance of the District for the last completed fiscal year; and

(iii) summary financial information on revenues, expenditures and fund balances for the District’s general fund for last completed fiscal year and summary financial information on any adopted budget for the current fiscal year, including information regarding lease revenue and tax increment revenue collections similar to that provided in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by

reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. optional, contingent or unscheduled bond calls.
5. rating changes.
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
7. unscheduled draws on the debt service reserves reflecting financial difficulties.
8. unscheduled draws on credit enhancement reflecting financial difficulties.
9. substitution of the credit or liquidity providers or their failure to perform.
10. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District.

For the purposes of the event identified in Section 5(a)(10), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. unless described under Section 5(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates.

4. release, substitution or sale of property securing repayment of the Certificates.
5. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
6. Appointment of a successor or additional Trustee with respect to the Certificates or the change of name of such a Trustee.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District and shall have no duty to review any information provided to it by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule; provided, the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under

Section 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Certificate holder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Certificate holders, or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the District as constituting the Annual Report required of the District in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report. 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 District in a timely manner in a form suitable for filing with the Repository. No provision of this Disclosure Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Beneficiaries. This Disclosure Certificate solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

SECTION 13. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

Dated: November 10, 2016

CARLSBAD UNIFIED SCHOOL DISTRICT

By: _____
Assistant Superintendent, Business Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: Carlsbad Unified School District
Name of Certificate Issue: \$41,805,000 Carlsbad Unified School District
Certificates of Participation (2016 Refunding and School
Financing Projects)
Date of Delivery: November 10, 2016

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate executed by the District on the date of delivery of the Certificates. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

CARLSBAD UNIFIED SCHOOL DISTRICT

By: [form only; no signature required] _____

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

General

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates. The Certificates 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 Certificate will be issued for each of maturity of the Certificates, each in the aggregate principal amount of such Certificate, and will be deposited with DTC.

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

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The 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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, physical Certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 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 District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF CARLSBAD AND SAN DIEGO COUNTY

The following information regarding economic activity within San Diego County (the “County”) and City of Carlsbad (“Carlsbad”), in which the District is located is provided as background information only, to describe the general economic health of the region.

General

San Diego County. The County is the southernmost major metropolitan area in the State of California. The County covers 4,255 square miles, extending 70 miles along the Pacific Coast from the border with Mexico to Orange County, and inland 75 miles to Imperial County. The County was incorporated on February 18, 1850 and functions under a charter adopted in 1933, and is amended from time to time. The County is governed by a five-member Board of Supervisors elected to four-year terms in district nonpartisan elections. The Board of Supervisors appoints the Chief Administrative Officer and the County Counsel. Elected officials include the Assessor/County Clerk/Recorder, District Attorney, Sheriff and Treasurer/Tax Collector.

City of Carlsbad

The City of Carlsbad (the “City”) is located on the coast of Southern California in San Diego County about 35 miles north of San Diego and 86 miles south of Los Angeles. It is bordered by two lagoons, Buena Vista and Batiquitos, on the north and south respectively. City limits cover approximately 42 square miles. The City, a general law city with the council-manager form of government, was incorporated July 16, 1952. A five-member City Council is elected at large for four-year alternating terms at elections held every two years. The mayor is the presiding officer of the council and also is elected to serve a four-year term. The city manager, appointed by the council for an indeterminate term, acts as chief executive officer in carrying out council policies.

Population

The following table below shows historical population figures for the City, County and State for years 2007 through 2016.

POPULATION ESTIMATES City of Carlsbad, San Diego County and the State of California 2007 through 2016

<u>Year</u> ⁽¹⁾	<u>City of Carlsbad</u>	<u>San Diego County</u>	<u>State of California</u>
2007	100,154	2,998,477	36,399,676
2008	102,452	3,032,689	36,704,375
2009	103,664	3,064,436	36,966,713
2010 ⁽²⁾	105,328	3,095,313	37,253,956
2011	106,562	3,120,688	37,536,835
2012	107,958	3,153,951	37,881,357
2013	109,614	3,194,778	38,239,207
2014	111,210	3,230,278	38,567,459
2015	111,939	3,263,848	38,907,642
2016	112,930	3,288,612	39,255,883

⁽¹⁾ January 1 data.

⁽²⁾ April 1 data.

Source: 2010: U.S. Department of Commerce, Bureau of the Census for April 1.
2006-09, 2011-15 (2000 and 2001 DRU Benchmark): California State Department of Finance for January 1.

Income

The following table shows per capita personal income for the County, the State and the United States for years 2006 through 2014.

PER CAPITA PERSONAL INCOME⁽¹⁾ San Diego County, State of California and United States 2006 through 2014

<u>Year</u>	<u>San Diego County</u>	<u>California</u>	<u>United States</u>
2006	\$43,457	\$41,693	\$38,144
2007	44,680	43,182	39,821
2008	45,886	43,786	41,082
2009	43,819	41,588	39,376
2010	44,563	42,411	40,277
2011	47,095	44,852	42,453
2012	48,990	47,614	44,266
2013	49,907	48,125	44,438
2014	51,459	49,985	46,049

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2014 reflect county population estimates available as of March 2015. All dollar estimates are in current dollars (not adjusted for inflation).

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

Employment

The following table summarizes labor force, employment and unemployment figures for the City, County and State for years 2011 through 2015.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE City of Carlsbad, San Diego County and the State of California 2011 through 2015

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽¹⁾	<u>Unemployment</u> ⁽²⁾	<u>Unemployment Rate</u> ⁽³⁾
<u>2011</u>				
City of Carlsbad	52,200	47,300	4,900	9.4%
San Diego County	1,524,600	1,367,200	157,300	10.3
State of California	18,415,100	16,258,100	2,157,000	11.7
<u>2012</u>				
City of Carlsbad	53,000	48,600	4,400	8.3%
San Diego County	1,542,800	1,402,000	140,800	9.1
State of California	18,551,400	16,627,800	1,923,600	10.4
<u>2013</u>				
City of Carlsbad	53,500	49,700	3,800	7.1%
San Diego County	1,547,000	1,425,900	121,100	7.8
State of California	18,670,100	17,001,000	1,669,000	8.9
<u>2014</u>				
City of Carlsbad	53,400	50,300	3,100	5.8%
San Diego County	1,549,800	1,450,300	99,500	6.4
State of California	18,827,900	17,418,000	1,409,900	7.5
<u>2015</u>				
City of Carlsbad	54,000	51,400	2,500	4.7%
San Diego County	1,563,800	1,482,500	81,300	5.2
State of California	18,981,800	17,798,600	1,183,200	6.2

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2015 Benchmark.

Industry

The following table summarizes the average annual industry employment for San Diego-Carlsbad MSA for years 2011 through 2015.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES San Diego-Carlsbad MSA 2011 through 2015

<u>Type of Employment</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Farm	9,800	9,800	9,800	9,400	9,100
Mining and Logging	400	400	400	400	400
Construction	55,200	57,000	60,900	63,800	69,500
Manufacturing	96,000	97,800	99,000	101,600	105,300
Wholesale Trade	41,500	43,500	43,900	43,700	44,000
Retail Trade	133,400	137,200	141,300	144,300	146,800
Transportation, Warehousing & Utilities	26,100	27,300	27,200	27,000	28,200
Information	24,200	24,500	24,300	24,400	23,900
Financial Activities	67,400	69,700	70,800	69,400	71,400
Professional & Business Services	207,700	213,900	221,600	224,900	230,900
Education & Health Services	167,900	174,500	181,000	186,000	193,200
Leisure & Hospitality	155,600	161,700	168,600	177,000	184,000
Other Services	47,700	49,200	49,300	52,000	53,000
Government	<u>229,000</u>	<u>227,800</u>	<u>229,500</u>	<u>231,900</u>	<u>235,900</u>
Total (all industries)	1,261,800	1,294,300	1,327,500	1,355,900	1,395,500

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2015 Benchmark.

Largest Employers

The following tables summarize the largest employers in the County and the City.

LARGEST EMPLOYERS San Diego County 2015

<u>Rank</u>	<u>Employer</u>	<u>Employees</u>
1.	University of California San Diego	29,287
2.	County of San Diego	17,044
3.	Sharp Healthcare	16,896
4.	Scripps Health	14,644
5.	Qualcomm, Inc.	13,500
6.	Kaiser Permanente	7,535
7.	UC San Diego Health	7,229
8.	YMCA of San Diego County	5,487
9.	Rady Children's Hospital - San Diego	5,122
10.	General Atomics Aeronautical Systems Inc.	5,088

Source: San Diego County 'Comprehensive Annual Financial Report' for the year ending June 30, 2015.

LARGEST EMPLOYERS
(Manufacturing)
City of Carlsbad
2015

<u>Rank</u>	<u>Employer</u>	<u>Employees</u>
1.	Thermo Fisher Scientific, Inc.	1,454
2.	Taylor Made Golf Company, Inc.	750
3.	Genoptix Inc.	613
4.	Zimmer Dental Inc.	472
5.	Alphatec Spine, Inc.	460
6.	Callaway Golf Company	431
7.	Nordson Asymtek	430
8.	Titleist and Foot-Joy Worldwide	320
9.	The Upper Deck Company	293
10.	Beckman Coulter	279

Source: City of Carlsbad 'Comprehensive Annual Financial Report' for the year ending June 30, 2015.

LARGEST EMPLOYERS
(Non-Manufacturing)
City of Carlsbad
2015

<u>Rank</u>	<u>Employer</u>	<u>Employees</u>
1.	ViaSat, Inc.	1,800
2.	Legoland California, Inc.	1,600
3.	Carlsbad Unified School District	931
4.	Omni La Costa Resort & Spa	919
5.	Geological Institute of America, Inc.	893
6.	City of Carlsbad	670
7.	OptumRX, Inc.	668
8.	Park Hyatt Aviara Resort	580
9.	Eastridge	524
10.	NTN Buzztime Inc.	386

Source: City of Carlsbad 'Comprehensive Annual Financial Report' for the year ending June 30, 2015.

Commercial Activity

Summarizes of annual taxable sales for the City and the County from 2010 through 2014 are shown in the following tables.

TAXABLE SALES San Diego County 2010 through 2014 (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2010	55,462	\$29,475,489	83,194	\$41,623,636
2011	56,723	31,985,292	83,971	45,090,382
2012	57,143	34,153,236	84,267	47,947,035
2013	58,466	35,948,594	85,143	50,297,331
2014	59,705	37,257,495	86,671	52,711,639

Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES City of Carlsbad 2010 through 2014 (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2010	2,433	\$1,623,453	3,888	\$2,191,041
2011	2,444	1,785,316	3,915	2,407,247
2012	2,472	1,941,876	3,955	2,557,381
2013	2,626	2,047,743	4,087	2,711,152
2014	2,696	2,140,010	4,185	2,876,793

Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

Building Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2011 through 2015 for the City and the County are shown in the following tables.

BUILDING PERMIT VALUATIONS San Diego County 2011 through 2015 (Dollars in Thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Valuation (\$000's)					
Residential	\$1,304,638	\$1,609,782	\$2,060,249	\$1,818,853	\$2,447,042
Non-residential	<u>1,072,380</u>	<u>1,235,122</u>	<u>1,425,426</u>	<u>1,920,627</u>	<u>1,862,502</u>
Total	\$2,377,018	\$2,844,904	\$3,485,675	\$3,739,480	\$4,309,544
New Housing Units					
Single Units	2,255	2,100	2,539	2,276	3,136
Multiple Units	<u>1,092</u>	<u>4,319</u>	<u>5,803</u>	<u>4,327</u>	<u>6,869</u>
Total	3,347	6,419	8,342	6,603	10,005

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS City of Carlsbad 2011 through 2015 (Dollars in Thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Valuation (in \$000s)					
Residential	\$84,067	\$127,935	\$71,835	\$102,726	\$105,677
Non-residential	<u>66,816</u>	<u>61,711</u>	<u>60,692</u>	<u>112,546</u>	<u>81,496</u>
Total	\$150,883	\$189,646	\$132,527	\$215,272	\$187,173
New Housing Units					
Single Units	267	298	185	186	220
Multiple Units	<u>50</u>	<u>104</u>	<u>15</u>	<u>66</u>	<u>4</u>
Total	317	402	200	252	224

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

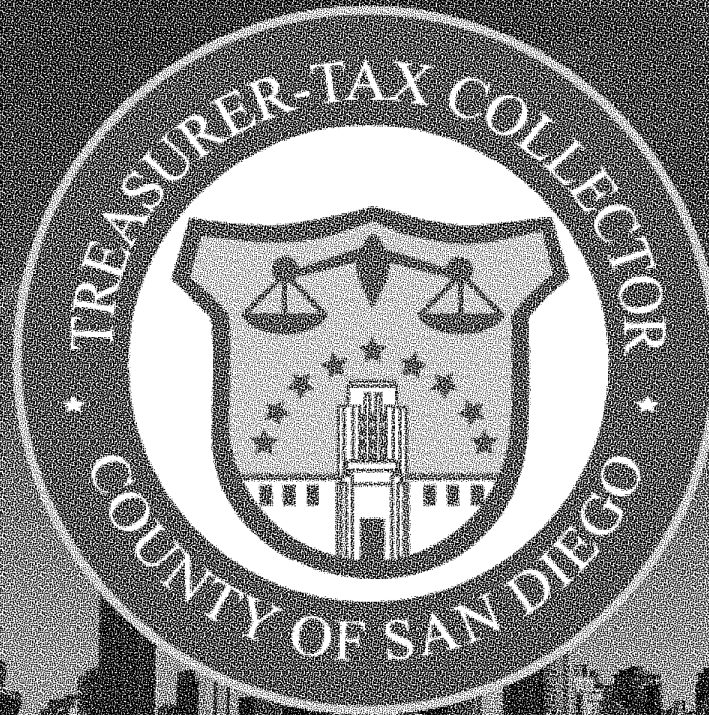
[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

SAN DIEGO COUNTY INVESTMENT POOL

The following information concerning the San Diego County (the "County") Investment Pool (the "Investment Pool") has been provided by the Controller-Treasurer of the County (the "Treasurer"), and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. The District, the Financial Advisor and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment 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 Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, neither the District, the Financial Advisor nor the Underwriter make any representation 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. Additional information regarding the Investment Pool may be obtained from the Treasurer at <http://www.sdtreastax.com/>; however, the information presented on such website is not incorporated herein by any reference.

[THIS PAGE INTENTIONALLY LEFT BLANK]



COUNTY OF SAN DIEGO INVESTMENT POOL
TREASURY INVESTMENT RESULTS

AUG
2016

TABLE OF CONTENTS

03 | Summary Portfolio Statistics

04 | Cash Flow Analysis

05 | Participant Cash Balances

06 | Investment Fund Participants

07 | Asset Allocation

07 | Asset Credit Quality

08 | Appendix

09 – Investment Policy Compliance Report

10 – Inventory With Market Value

19 – Transaction Activity Report

Note: The information provided, including all charts, tables, graphs and numerical representations, are provided to readers solely as a general overview of the economic and market conditions which the Treasurer utilizes in making investment decisions.

SUMMARY PORTFOLIO STATISTICS

County of San Diego Pooled Money Fund As of August 31, 2016

	Par Value	Book Value	Market Value	% of Portfolio	Market Price	WAM	WAC	YTM	YTW	Accrued Interest	Unrealized Gain/Loss
Asset Backed Securities	67,000,000	66,997,542	67,013,784	0.89	100.021	923	0	1.146	1.146	28,873	16,242
CDARS	10,000,000	10,000,000	10,000,000	0.13	100.000	81	0	0.421	0.421	2,189	-
Collateralized CDs	45,000,000	45,000,000	45,000,000	0.60	100.000	176	0	0.596	0.596	2,206	-
Commercial Paper Disc	1,763,000,000	1,759,079,613	1,756,627,163	23.29	99.639	99	0	0.814	0.814	-	(2,452,450)
FDIC CDs	849,500	849,500	849,500	0.01	100.000	111	0	0.400	0.400	185	-
Federal Agency - Step Up	228,945,000	228,945,000	228,483,781	3.03	99.799	1,711	98	1.875	1.489	550,421	(461,219)
Federal Agency Amer Callable	50,000,000	50,000,000	50,018,250	0.66	100.037	928	108	1.290	1.290	298,361	18,250
Federal Agency Berm Callable	259,535,000	259,486,538	259,511,197	3.44	99.991	668	63	1.078	1.078	651,307	24,659
Federal Agency Coupon Securities	1,200,000,000	1,205,066,801	1,208,564,010	15.96	100.733	579	118	1.007	1.007	4,161,281	3,497,209
Federal Agency Euro Callable	356,013,000	356,011,866	355,779,854	4.71	99.935	827	231	1.040	1.040	796,888	(232,013)
Money Market Accounts	128,300,000	128,300,000	128,440,000	1.70	100.109	1	0	0.200	0.200	57,946	140,000
Negotiable CDs	2,072,500,000	2,072,500,221	2,072,500,000	27.44	100.000	123	0	0.965	0.965	5,174,438	(221)
Repurchase Agreements	-	-	-	0.00	0.000	0	0	0.000	0.000	-	-
Supranational Callable	124,350,000	124,347,592	124,270,750	1.65	99.936	1,152	249	1.125	1.125	484,583	(76,842)
Supranationals	323,734,000	323,618,583	323,801,651	4.28	100.021	418	0	0.897	0.897	1,477,623	183,068
Treasury Coupon Securities	917,000,000	922,144,467	925,574,090	12.21	100.938	667	0	0.931	0.931	2,797,309	3,429,623
Totals for August 2016	7,546,226,500	7,552,347,723	7,556,434,030	100.00	100.000	396	134	0.955	0.943	16,483,610	4,086,306
Totals for July 2016	7,974,348,605	7,982,018,945	7,991,534,502	100.00	100.170	358	159	0.887	0.879	15,111,935	9,515,557
Change From Prior Month	(428,122,105)	(429,671,222)	(435,100,472)		(0.170)	38	(25)	0.068	0.064	1,371,674.23	(5,429,251)

Portfolio Effective Duration 0.84 years

	August		Fiscal Year To Date		Calendar Year To Date	
	Return	Annualized	Return	Annualized	Return	Annualized
Book Value	0.079%	0.927%	0.154%	0.904%	0.509%	0.762%
Market Value	0.079%	0.926%	0.153%	0.903%	0.509%	0.761%

Note

Yield to maturity (YTM) is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the maturity date.

Yield to call (YTC) is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the call date.

Yield to worst (YTW) is the lesser of yield to maturity or yield to call, reflecting the optionality of the bond issuer.

Yields for the portfolio are aggregated based on the book value of each security.

* All Investments held during the month of August 2016 were in compliance with the Investment Policy dated January 1, 2016.

CASH FLOW ANALYSIS

County of San Diego Pooled Money Fund As of August 31, 2016

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
Beginning Pool Book Balance	7,982,019	7,552,348	7,350,438	7,396,438	7,588,898	8,842,998	8,308,900
MAIN CASH FLOW ITEMS							
INFLOWS:							
Reverse Repos	0	0	0	0	0	0	0
Interest Income On Pool	7,166	3,500	2,500	3,000	3,100	7,000	5,000
Taxes Collected	79,586	36,000	410,000	705,000	1,950,500	155,100	185,000
School Deposits	453,353	550,500	400,000	300,000	450,000	460,740	328,000
County Deposits	412,892	245,000	225,000	225,000	295,000	238,259	280,850
Retirement	5,000	0	0	0	0	0	0
Voluntaries	5,256	0	0	0	0	0	0
Maturities/Sales Outside Pool	0	17,390	10,000	5,000	0	0	3,120
	963,253	852,390	1,047,500	1,238,000	2,698,600	861,099	801,970
OUTFLOWS:							
Schools	979,136	710,040	613,000	680,000	727,500	550,000	720,701
County	349,001	280,500	320,000	280,000	350,000	275,000	305,000
Retirement	3,749	10,640	7,500	7,000	7,000	7,000	7,000
Voluntaries	37,141	40,000	35,000	45,000	50,000	45,000	51,000
Tax Apportionment	14,752	10,000	16,000	32,000	310,000	518,197	25,000
Reverse Repos	0	0	0	0	0	0	0
Purchases/Purchases Outside of Pool	26,615	3,120	10,000	1,540	0	0	0
	1,410,394	1,054,300	1,001,500	1,045,540	1,444,500	1,395,197	1,108,701
TOTAL	(447,141)	(201,910)	46,000	192,460	1,254,100	(534,098)	(306,731)
PROJECTED/ACTUAL MONTH END POOL BALANCE	7,552,348	7,350,438	7,396,438	7,588,898	8,842,998	8,308,900	8,002,169
LIQUIDITY PROJECTIONS							
INCREASE / DECREASE DUE TO INVESTMENT ACTIVITY							
Maturities		702,984	656,950	630,163	455,000	794,175	630,000
Sales/Calls		0	0	0	0	0	0
Investments Purchased		68,100	90,000	127,000	40,000	94,175	105,000
		634,884	566,950	503,163	415,000	700,000	525,000
Net Main Cash Flow (see above)		(201,910)	46,000	192,460	1,254,100	(534,098)	(306,731)
PROJECTED/ACTUAL MONTH END LIQUIDITY	128,300	561,274	1,174,224	1,869,847	3,538,947	3,704,849	3,923,118

Note: The above is not meant to be a complete Cash Flow Statement. The data represents a subset of the main cash flow items and does not include accrued interest or other adjustment items.

The projected cash flows indicate sufficient liquidity to meet all scheduled expenditures for the next 6 months.

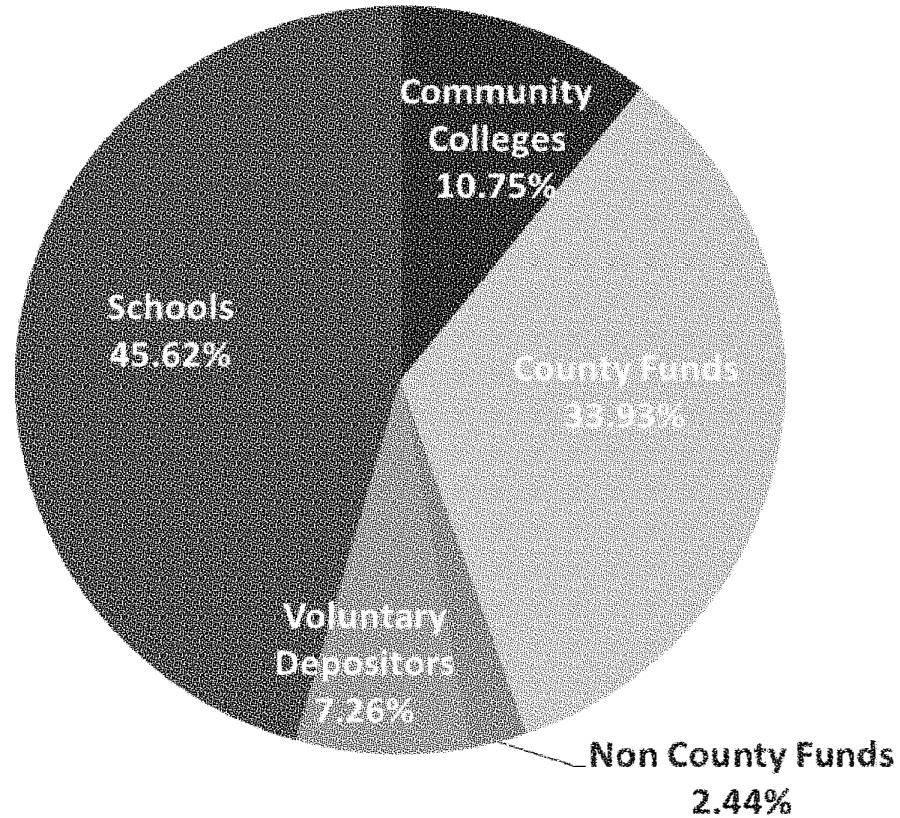
PARTICIPANT CASH BALANCES

San Diego Pooled Money Fund
As of August 31, 2016

PARTICIPANT	FMV	FMV	FMV	% of	PARTICIPANT	FMV	FMV	FMV	% of
	06/30/16	07/31/16	08/31/16	Total		06/30/16	07/31/16	08/31/16	Total
COUNTY	\$ 661,590	\$ 700,768	\$ 709,811	9.39%	Lakeside Fire	7,178	5,812	5,412	
COUNTY –SPECIAL TRUST FUNDS	2,540,034	1,921,858	1,854,407	24.54%	Leucadia Water District	11,484	11,502	11,488	
NON-COUNTY INVESTMENT FUNDS	198,186	185,860	184,157	2.44%	Lower Sweetwater FPD	520	522	428	
SCHOOLS –(K THRU 12)	3,914,810	3,823,040	3,447,455	45.62%	Metropolitan Transit System	8,785	8,758	7,491	
COMMUNITY COLLEGES					Mission Resource Conservation District	293	293	293	
San Diego	241,629	235,466	184,316	2.44%	North County Cemetery District	1,110	1,182	1,125	
Grossmont	119,086	121,354	98,317	1.30%	North County Cemetery Perpetual	1,464	1,531	1,539	
Mira Costa	46,561	39,940	32,623	0.43%	North County Cemetery	1,110	998	1,048	
Palomar	330,469	320,735	298,342	3.95%	North County Dispatch	3,895	3,212	3,994	
Southwestern	235,390	228,986	198,703	2.63%	North County Fire	2,918	1,906	1,308	
Total Community Colleges	973,135	946,480	812,301	10.75%	Otay Water District Investment	13,386	13,410	13,394	
SDCERA	619	7,114	4,251		Pine Valley FPD	696	698	456	
SANCAL	8,748	8,081	8,022		Pomerado Cemetery District	1,789	1,764	1,716	
MTDB	720	721	721		Ramona Cemetery District	543	516	498	
SANDAG	42,553	43,126	180,398		Ramona Cemetery Perpetual	368	369	369	
CITIES					Rancho Santa Fe FPD	11,735	10,751	9,378	
Chula Vista	34,697	34,749	34,708		Rincon del Diablo Municipal Water District	3,025	3,029	3,026	
Del Mar	3,063	3,068	3,064		San Diego Housing Commission	17,088	17,114	17,093	
Encinitas	2	2	2		San Diego Rural Fire	146	164	174	
Lemon Grove	0	0	0		San Dieguito River	918	1,158	1,238	
National City	5,082	5,090	5,084		San Marcos FPD	1	1	1	
INDEPENDENT AGENCIES					San Miguel FPD	9,352	9,809	6,872	
Alpine FPD	1,928	1,384	1,074		San Ysidro Sanitation	13	13	13	
Bonita Sunnyside FPD	5,124	5,142	4,771		Santa Fe Irrigation District	4,974	4,982	4,976	
Borrego Springs FPD	1,463	1,216	1,081		SDC Regional Airport Authority	164,416	169,418	174,269	
Deer Springs FPD	8,926	8,913	8,779		Upper San Luis Rey Reservoir	34	34	35	
Fallbrook Public UTL	15	15	15		Vallecitos Water District	5,136	5,143	5,137	
Grossmont Healthcare District	1,009	1,010	1,009		Valley Center FPD	3,864	3,698	3,339	
Public Agency Self Insurance System	3,364	3,369	3,365		Valley Cntr Cemetery	75	75	75	
Julian-Cuyamaca FPD	168	23	26		Valley Ctr Cem Perpetual	250	252	252	
Lake Cuyamaca Rec & Park	233	197	226		Valley Ctr Water District	14,028	9,979	13,058	
					Vista FPD	2,202	2,217	2,214	
					Total Independent Agencies	410,509	413,530	548,303	7.26%
					Pooled Money Fund Total	\$8,698,263	\$7,991,534	\$7,556,434	100.00%

INVESTMENT FUND PARTICIPANTS

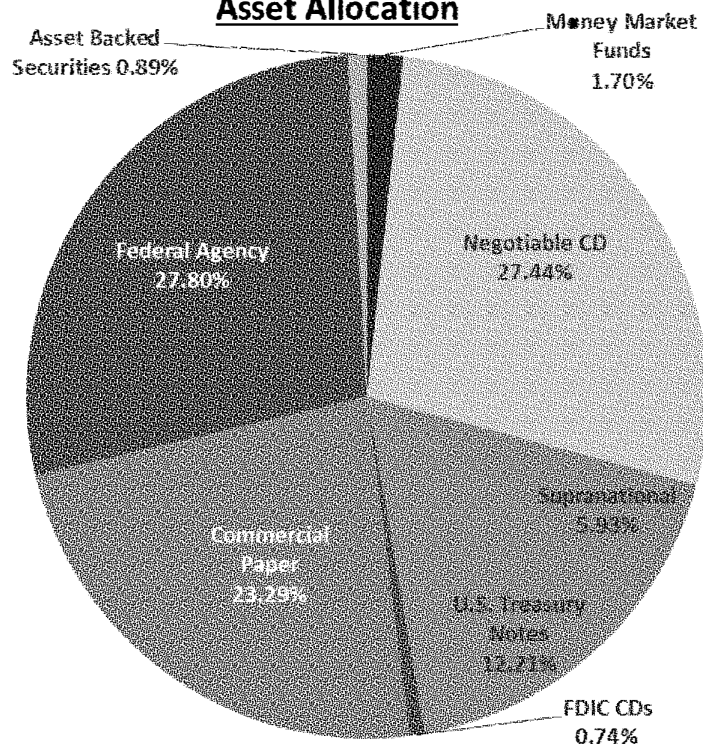
San Diego Pooled Money Fund As of August 31, 2016



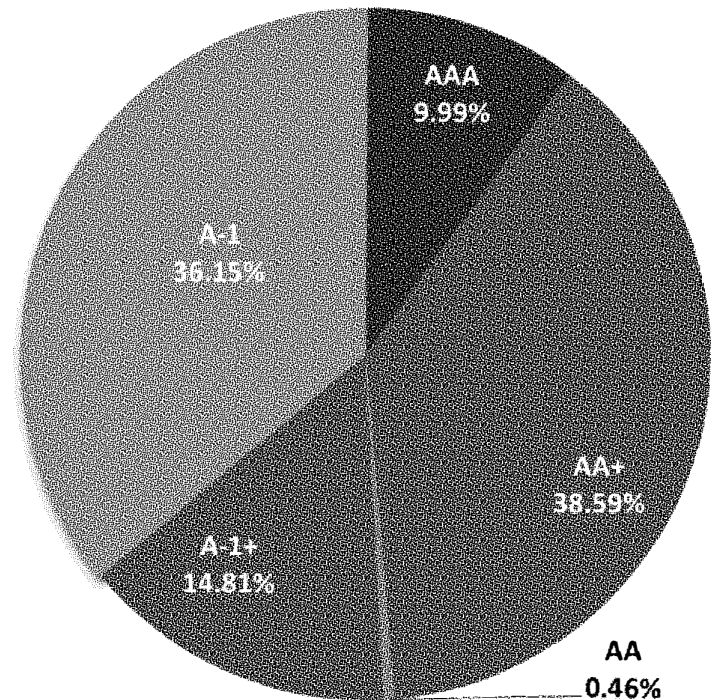
INVESTMENT FUND OVERVIEW

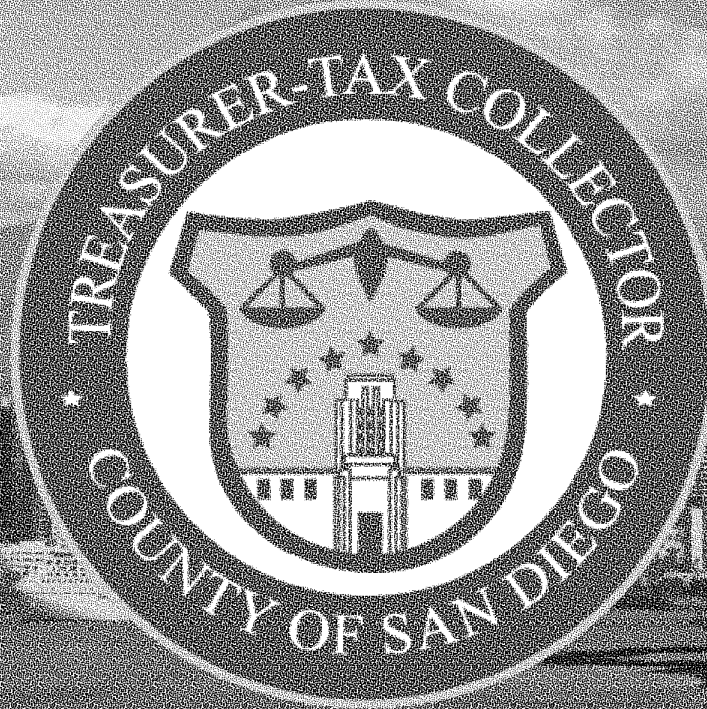
As of August 31, 2016

Asset Allocation

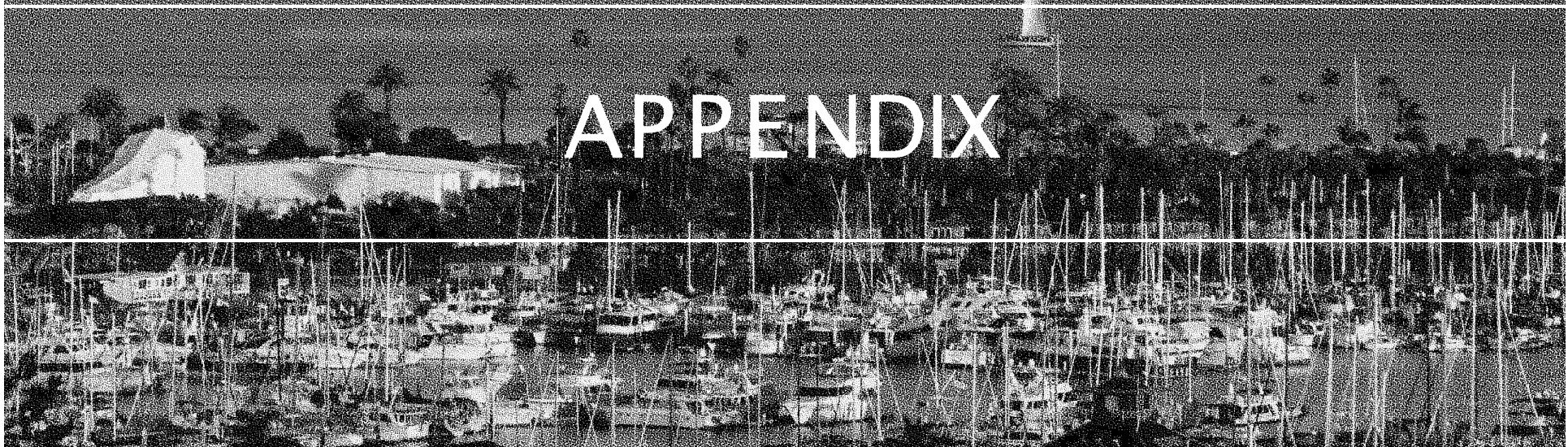


Credit Quality





APPENDIX



INVESTMENT POLICY COMPLIANCE REPORT

County of San Diego Pooled Money Fund
As of August 31, 2016

Category	Standard	Comment
Treasury Issues	No Limit	Complies -12.3%
Agency Issues	35% per issuer	Complies
Local Agency Obligations	S P -1 /A or MIG 1 /A or F -1 /A minimum rating; 15% maximum; 5% per issuer	Complies
Banker's Acceptances	A-1 or P-1 or F-1 minimum rating; 40% maximum; 5% per issuer; 180 days max maturity	Complies
Commercial Paper	A-1/A or P-1/A or F-1/A minimum rating; 40% maximum; 5% per issuer; 270 days max maturity	Complies -23.3%
Medium Term Notes	A-1/A or P-1/A or F-1/A minimum rating; 30% maximum; 5% per issuer	Complies
Negotiable Certificates of Deposit	A-1/A or P-1/A or F-1/A minimum rating; 30% maximum; 5% per issuer; 5 years maximum maturity for NCDs; 13 months max maturity for FDIC insured	Complies -27.4%
Repurchase Agreements	40% maximum; 10% per issuer >5 days; 15% per issuer <5 days; 1-year maximum maturity;	Complies -0.0%
Reverse Repurchase Agreements	20% maximum combined with Securities Lending; 10% per issuer; 92-day maximum maturity	N/A
Collateralized Certificates of Deposit	A-1 or P-1, or F-1 minimum rating; 5% maximum; 5% per issuer; 13 months maximum maturity; 110% collateral required	Complies -0.7%
FDIC & NCUA Insured Deposit	5% maximum; 5% per issuer; 13 months maximum maturity; No minimum credit requirement for FDIC or NCUA insured deposit accounts	Complies -0.0%
Covered Call Option/Put Option	10% maximum; 90-day maximum maturity	N/A
Money Market Mutual Funds	AAAm, or Aaa-mf, or AAAMmf minimum rating; 15% maximum; 10% per fund	Complies -1.2%
Investment Trust of California - Cal Trust	2.5% maximum	Complies -0.5%
Supranationals	A-1/AA by S&P or P-1/Aa by Moody's, or F-1/AA by Fitch; 30% maximum; 10% per issuer; Includes IBRD, IFC, and IADB	Complies -5.9%
Pass-Through Securities	Non-mortgaged backed; A-rated issuer; A-1/AA or P-1/Aa or F-1/AA minimum rating; 20% maximum; 5% per issuer	Complies -0.9%
Maximum Maturity	5 years	Complies
Illiquidity Limitations	10% maximum for combined categories for Collateralized CDs and FDIC Insured Deposit Accounts	Complies
Maximum Issuer Exposure	5% per any single issuer involved in more than one of the above categories (does not include US Government, repurchase agreements, supranationals, money market fund)	Complies
Maturity Policy - Portfolio Structure	Minimum 25% ≤ 90 days; and minimum 50% ≤ 1 year; maximum effective duration for portfolio 1.5 years	Complies
Prohibited Securities	Inverse floaters; Ranges notes, Interest-only strips from mortgaged backed securities; Zero interest accrual securities	Complies
Credit Rating Policy - monitoring ratings	Overall credit rating of AAAs/1, by Standard & Poores; Investments rated below A-1 (short term) or below the A category (long term), at the time of purchase, are prohibited in this policy	Complies
Securities Lending	92-day maximum maturity; 10% per counterparty; 20% maximum combined with Reverse Repurchase Agreements	N/A

INVESTMENT INVENTORY – MARKET VALUE

San Diego Pooled Money Fund
As of August 31, 2016

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM 365 Equiv.	Maturity Date	Accrued Interest	Unrealized Gain/Loss
Asset Backed Securities									
American Honda Finance	05/30/2016	25,000,000.00	24,999,157.50	25,006,750.00	1.13	1.14	09/15/2018	12,555.54	7,592.50
Toyota Auto Receivables	08/10/2016	7,000,000.00	6,999,660.50	6,998,313.00	1.00	1.01	01/15/2019	4,083.34	(1,347.50)
John Deere Owner Trust	07/27/2016	12,000,000.00	11,999,268.00	11,982,420.00	1.09	1.10	02/15/2019	0.00	(16,848.00)
Harley-Davidson Credit Corp	06/15/2016	13,000,000.00	12,999,650.30	12,998,401.00	1.09	1.09	06/15/2019	6,297.78	(1,249.30)
American Honda Finance	05/30/2016	10,000,000.00	9,999,806.00	10,027,900.00	1.39	1.40	04/15/2020	5,935.94	28,094.00
Asset Backed Securities Subtotal		67,000,000.00	66,997,542.30	67,013,784.00	1.14	1.15		28,872.60	16,241.70
CDARS									
Coronado Private Bank	04/21/2016	5,000,000.00	5,000,000.00	5,000,000.00	0.39	0.39	10/20/2016	2,189.54	0.00
Pacific Commerce Bank	06/23/2016	5,000,000.00	5,000,000.00	5,000,000.00	0.45	0.45	12/22/2016	(0.68)	0.00
CDARS Subtotal		10,000,000.00	10,000,000.00	10,000,000.00	0.42	0.42		2,188.86	0.00
Collateralized CDs									
Torrey Pines Bank	03/30/2016	5,000,000.00	5,000,000.00	5,000,000.00	0.50	0.50	09/26/2016	205.44	0.00
Banc of California	08/29/2016	20,000,000.00	20,000,000.00	20,000,000.00	0.51	0.52	02/28/2017	850.00	0.00
Torrey Pines Bank	03/29/2016	20,000,000.00	20,000,000.00	20,000,000.00	0.70	0.70	03/29/2017	1,150.25	0.00
Collateralized CDs Subtotal		45,000,000.00	45,000,000.00	45,000,000.00	0.59	0.60		2,205.69	0.00
Commerical Paper									
Natixis US Finance Co.	08/31/2016	280,000,000.00	280,000,000.00	279,997,480.00	0.30	0.30	09/01/2016	0.00	(2,520.00)
J.P. Morgan	04/07/2016	25,000,000.00	24,999,458.33	24,919,825.00	0.78	0.79	09/02/2016	0.00	(79,633.33)
Toyota Motor Credit Corp	06/03/2016	25,000,000.00	24,996,666.67	24,959,150.00	0.60	0.61	09/09/2016	0.00	(37,516.67)
Fortis /BNP Paribas Bank	04/14/2016	48,000,000.00	47,985,626.67	47,841,888.00	0.77	0.78	09/15/2016	0.00	(143,738.67)
Toyota Motor Credit Corp	06/03/2016	25,000,000.00	24,993,541.67	24,954,775.00	0.62	0.63	09/16/2016	0.00	(38,766.67)
J.P. Morgan	04/06/2016	50,000,000.00	49,961,333.33	49,782,500.00	0.87	0.89	10/03/2016	0.00	(178,833.33)
J.P. Morgan	04/06/2016	50,000,000.00	49,960,125.00	49,781,250.00	0.87	0.89	10/04/2016	0.00	(178,875.00)
J.P. Morgan	04/06/2016	25,000,000.00	24,979,458.33	24,890,025.00	0.87	0.89	10/05/2016	0.00	(89,433.33)
J.P. Morgan	04/06/2016	25,000,000.00	24,979,458.33	24,890,025.00	0.87	0.89	10/05/2016	0.00	(89,433.33)
Toyota Motor Credit Corp	08/02/2016	50,000,000.00	49,956,250.00	49,930,000.00	0.63	0.64	10/21/2016	0.00	(26,250.00)
Toyota Motor Credit Corp	08/02/2016	50,000,000.00	49,952,152.77	49,925,050.00	0.65	0.66	10/24/2016	0.00	(27,102.77)
Fortis /BNP Paribas Bank	05/16/2016	75,000,000.00	74,902,500.00	74,727,000.00	0.78	0.79	10/31/2016	0.00	(175,500.00)
Fortis /BNP Paribas Bank	08/26/2016	50,000,000.00	49,906,833.34	49,899,650.00	0.86	0.87	11/18/2016	0.00	(7,183.34)

INVESTMENT INVENTORY – MARKET VALUE

San Diego Pooled Money Fund
As of August 31, 2016

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM 365 Equiv.	Maturity Date	Accrued Interest	Unrealized Gain/Loss
Fortis/BNP Paribas Bank	08/26/2016	50,000,000.00	49,900,861.11	49,893,650.00	0.86	0.87	11/23/2016	0.00	(7,211.11)
Fortis/BNP Paribas Bank	05/23/2016	100,000,000.00	99,765,000.00	99,501,200.00	0.94	0.98	11/30/2016	0.00	(263,800.00)
Fortis/BNP Paribas Bank	06/17/2016	25,000,000.00	24,938,701.39	24,890,650.00	0.91	0.93	12/07/2016	0.00	(48,051.39)
J P Morgan	06/07/2016	50,000,000.00	49,882,791.67	49,778,850.00	0.87	0.90	12/07/2016	0.00	(103,941.67)
ING (US) Funding LLC	07/28/2016	50,000,000.00	49,861,611.11	49,815,900.00	0.94	0.96	12/16/2016	0.00	(45,711.11)
Rabobank Nederland	06/28/2016	50,000,000.00	49,882,222.22	49,810,000.00	0.80	0.81	12/16/2016	0.00	(72,222.22)
J P Morgan	04/07/2016	10,000,000.00	9,965,666.67	9,923,600.00	1.03	1.07	12/30/2016	0.00	(42,066.67)
J P Morgan	06/17/2016	50,000,000.00	49,853,611.11	49,766,250.00	0.85	0.88	01/03/2017	0.00	(87,361.11)
J P Morgan	06/23/2016	25,000,000.00	24,926,805.55	24,883,125.00	0.85	0.88	01/03/2017	0.00	(43,680.55)
Toyota Motor Credit Corp	04/14/2016	25,000,000.00	24,913,333.33	24,820,000.00	0.96	0.99	01/09/2017	0.00	(93,333.33)
Fortis/BNP Paribas Bank	06/28/2016	15,000,000.00	14,950,875.00	14,926,500.00	0.90	0.93	01/10/2017	0.00	(24,375.00)
J P Morgan	06/28/2016	35,000,000.00	34,891,743.06	34,838,020.00	0.85	0.88	01/10/2017	0.00	(53,723.06)
Toyota Motor Credit Corp	06/23/2016	50,000,000.00	49,849,666.66	49,786,350.00	0.82	0.85	01/11/2017	0.00	(63,316.66)
Toyota Motor Credit Corp	07/26/2016	50,000,000.00	49,846,000.00	49,786,350.00	0.84	0.86	01/11/2017	0.00	(59,650.00)
ING (US) Funding LLC	07/28/2016	50,000,000.00	49,804,583.34	49,753,500.00	1.05	1.07	01/13/2017	0.00	(51,083.34)
ING (US) Funding LLC	07/28/2016	50,000,000.00	49,790,458.33	49,738,400.00	1.07	1.09	01/20/2017	0.00	(52,058.33)
ING (US) Funding LLC	07/28/2016	50,000,000.00	49,774,111.11	49,722,050.00	1.07	1.12	01/31/2017	0.00	(52,061.11)
Rabobank Nederland	07/14/2016	50,000,000.00	49,802,375.00	49,739,050.00	0.93	0.97	02/01/2017	0.00	(63,325.00)
Rabobank Nederland	08/10/2016	50,000,000.00	49,742,222.22	49,706,750.00	1.16	1.18	02/08/2017	0.00	(35,472.22)
ING (US) Funding LLC	08/02/2016	50,000,000.00	49,750,250.00	49,704,000.00	1.11	1.16	02/10/2017	0.00	(46,250.00)
ING (US) Funding LLC	08/02/2016	50,000,000.00	49,717,500.00	49,670,400.00	1.13	1.18	02/28/2017	0.00	(47,100.00)
ING (US) Funding LLC	08/19/2016	50,000,000.00	49,695,819.44	49,673,950.00	1.21	1.26	03/01/2017	0.00	(21,869.44)
Commerical Paper Subtotal:		1,763,000,000.00	1,759,079,612.76	1,756,627,163.00	0.80	0.81		0.00	(2,452,449.76)
FDIC CDs									
Torrey Pines Bank	09/04/2015	99,500.00	99,500.00	99,500.00	0.25	0.25	09/03/2016	20.74	0.00
SD Private Bank	10/24/2015	250,000.00	250,000.00	250,000.00	0.30	0.30	10/24/2016	16.34	0.00
East West Bank	08/08/2016	250,000.00	250,000.00	250,000.00	0.51	0.52	02/06/2017	85.00	0.00
Pacific Commerce Bank	08/12/2016	250,000.00	250,000.00	250,000.00	0.45	0.46	02/12/2017	62.50	0.00
FDIC CDs Subtotal:		849,500.00	849,500.00	849,500.00	0.39	0.39		184.58	0.00
Federal Agency									
Federal National Mtg Assn	10/06/2011	20,000,000.00	19,999,505.80	20,013,400.00	1.25	1.28	09/28/2016	106,250.00	13,894.20
Federal Home Loan Mtg Corp	10/18/2012	50,000,000.00	49,999,050.24	50,019,000.00	0.63	0.64	11/01/2016	104,166.67	19,949.76

INVESTMENT INVENTORY – MARKET VALUE

San Diego Pooled Money Fund
As of August 31, 2016

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM 365 Equiv.	Maturity Date	Accrued Interest	Unrealized Gain/Loss
Federal Farm Credit Bank	10/14/2015	35,000,000.00	35,004,572.47	35,003,850.00	0.48	0.41	11/04/2016	54,600.00	(722.47)
Federal National Mtg Assn	05/14/2013	25,000,000.00	24,999,710.32	25,007,500.00	0.55	0.56	11/14/2016	40,868.06	7,789.68
Federal National Mtg Assn	05/28/2013	3,500,000.00	3,499,846.21	3,501,050.00	0.55	0.57	11/14/2016	5,721.53	1,203.79
Federal National Mtg Assn	05/28/2013	7,513,000.00	7,512,669.87	7,515,253.90	0.55	0.57	11/14/2016	12,281.67	2,584.03
Federal National Mtg Assn	11/15/2011	15,000,000.00	15,002,563.48	15,029,850.00	1.38	1.29	11/15/2016	60,729.17	27,286.52
Federal National Mtg Assn	01/17/2012	20,000,000.00	20,010,891.37	20,039,800.00	1.38	1.10	11/15/2016	80,972.22	28,908.63
Federal Farm Credit Bank	10/28/2015	25,000,000.00	25,000,000.00	24,997,750.00	0.45	0.45	11/28/2016	29,062.50	(2,250.00)
Federal Farm Credit Bank	10/28/2015	25,000,000.00	25,000,000.00	24,997,750.00	0.45	0.45	11/28/2016	29,062.50	(2,250.00)
Federal Home Loan Bank	11/15/2013	50,000,000.00	49,985,101.51	50,036,500.00	0.63	0.72	12/28/2016	54,687.50	51,398.49
Federal Farm Credit Bank	11/18/2015	40,000,000.00	39,994,479.45	40,012,000.00	0.59	0.62	02/06/2017	16,388.89	17,520.55
Federal Home Loan Mtg Corp	02/26/2014	25,000,000.00	25,017,084.11	25,042,000.00	0.88	0.73	02/22/2017	5,468.75	24,915.89
Federal National Mtg Assn	03/14/2013	25,000,000.00	25,000,000.00	25,025,250.00	0.75	0.75	03/14/2017	86,979.17	25,250.00
Federal National Mtg Assn	03/10/2014	50,000,000.00	49,964,320.98	50,049,500.00	0.75	0.86	04/20/2017	136,458.33	85,179.02
Federal Farm Credit Bank	09/11/2015	15,000,000.00	15,007,433.62	15,017,550.00	0.75	0.67	04/24/2017	39,687.50	10,116.38
Federal National Mtg Assn	12/18/2015	25,000,000.00	25,692,594.43	25,766,000.00	5.00	0.97	05/11/2017	381,944.44	73,405.57
Federal Home Loan Mtg Corp	01/09/2015	10,000,000.00	10,030,042.29	10,047,200.00	1.25	0.81	05/12/2017	37,847.22	17,157.71
Federal Home Loan Mtg Corp	02/26/2014	30,000,000.00	30,021,625.44	30,087,300.00	1.00	0.91	06/29/2017	51,666.67	65,674.56
Federal Home Loan Mtg Corp	07/25/2012	20,000,000.00	19,999,640.00	20,051,800.00	1.00	1.00	07/25/2017	20,000.00	52,160.00
Federal Home Loan Bank	04/08/2016	15,000,000.00	15,014,030.10	15,008,700.00	0.75	0.66	08/28/2017	937.50	(5,330.10)
Federal Home Loan Bank	09/20/2012	35,000,000.00	34,961,996.62	35,004,200.00	0.75	0.86	09/08/2017	126,145.84	42,203.38
Federal Farm Credit Bank	09/14/2015	25,000,000.00	25,000,000.00	25,011,250.00	0.78	0.78	09/14/2017	90,458.33	11,250.00
Federal Home Loan Mtg Corp	11/18/2015	19,000,000.00	19,022,852.10	19,054,530.00	1.00	0.89	09/29/2017	80,222.22	31,677.90
Federal Home Loan Bank	10/05/2015	25,000,000.00	25,000,000.00	24,933,500.00	0.73	0.73	10/05/2017	74,013.89	(66,500.00)
Federal Farm Credit Bank	11/18/2015	21,000,000.00	20,941,941.22	20,967,030.00	0.65	0.90	10/13/2017	52,325.00	25,088.78
Federal National Mtg Assn	11/27/2013	40,000,000.00	39,911,639.46	40,068,400.00	0.88	1.07	10/26/2017	121,527.78	156,760.54
Federal Home Loan Bank	10/14/2015	35,000,000.00	36,788,034.26	36,769,600.00	5.00	0.74	11/17/2017	505,555.56	(18,434.26)
Federal National Mtg Assn	12/27/2012	35,000,000.00	34,983,802.78	34,931,050.00	0.88	0.91	12/27/2017	54,444.44	(52,752.78)
Federal Farm Credit Bank	02/20/2015	20,000,000.00	20,000,000.00	20,059,600.00	1.11	1.11	02/20/2018	6,783.33	59,600.00
Federal Home Loan Mtg Corp	02/26/2014	30,000,000.00	29,824,459.68	30,000,000.00	0.88	1.27	03/07/2018	126,875.00	175,540.32
Federal National Mtg Assn	04/30/2013	50,000,000.00	49,994,176.39	50,008,000.00	1.00	1.01	04/30/2018	168,055.56	13,823.61
Federal National Mtg Assn	04/30/2013	50,000,000.00	50,000,000.00	50,008,000.00	1.00	1.00	04/30/2018	168,055.56	8,000.00
Federal National Mtg Assn	05/16/2013	25,000,000.00	24,973,558.72	25,004,000.00	1.00	1.07	04/30/2018	84,027.78	30,441.28
Federal National Mtg Assn	01/22/2014	15,000,000.00	14,836,847.34	15,010,950.00	0.88	1.53	05/21/2018	36,458.33	174,102.66
Federal Home Loan Mtg Corp	02/27/2014	25,000,000.00	26,544,682.73	26,764,000.00	4.88	1.30	06/13/2018	264,062.50	219,317.27

INVESTMENT INVENTORY – MARKET VALUE

San Diego Pooled Money Fund
As of August 31, 2016

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM 365 Equiv.	Maturity Date	Accrued Interest	Unrealized Gain/Loss
Federal Home Loan Mtg Corp	09/29/2015	25,000,000.00	25,000,000.00	25,000,750.00	1.05	1.05	06/29/2018	45,208.33	750.00
Federal National Mtg Assn	02/19/2016	35,000,000.00	35,168,073.94	35,160,300.00	1.13	0.87	07/20/2018	44,843.75	(7,773.94)
Federal Home Loan Mtg Corp	10/27/2015	25,000,000.00	25,000,000.00	24,960,500.00	1.00	1.00	07/27/2018	23,611.11	(39,500.00)
Federal Home Loan Bank	08/14/2015	25,000,000.00	25,040,031.94	25,155,000.00	1.20	1.12	08/14/2018	14,166.67	114,968.06
Federal Home Loan Bank	10/26/2015	35,000,000.00	35,105,536.46	35,123,900.00	1.13	0.97	09/14/2018	182,656.25	18,363.54
Federal National Mtg Assn	01/21/2014	30,000,000.00	30,130,655.99	30,569,700.00	1.88	1.65	09/18/2018	254,687.50	439,044.01
Federal Farm Credit Bank	09/21/2015	25,000,000.00	25,000,000.00	25,000,000.00	1.22	1.22	09/21/2018	135,555.56	0.00
Federal Home Loan Bank	03/28/2016	25,000,000.00	25,000,000.00	25,008,750.00	1.05	1.05	09/28/2018	111,562.50	8,750.00
Federal Home Loan Mtg Corp	02/23/2016	25,000,000.00	25,000,000.00	25,013,750.00	1.05	1.05	11/23/2018	71,458.33	13,750.00
Federal National Mtg Assn	01/21/2014	30,000,000.00	29,933,802.75	30,476,400.00	1.63	1.73	11/27/2018	127,291.67	542,597.25
Federal Home Loan Mtg Corp	06/14/2016	47,400,000.00	47,400,000.00	47,413,272.00	1.25	1.25	12/14/2018	126,729.17	13,272.00
Federal Home Loan Mtg Corp	07/25/2016	25,000,000.00	25,000,000.00	24,968,250.00	1.00	1.00	01/25/2019	25,000.00	(31,750.00)
Federal National Mtg Assn	03/22/2016	27,135,000.00	27,135,000.00	27,146,125.35	1.27	1.30	02/26/2019	4,786.32	11,125.35
Federal National Mtg Assn	03/11/2016	25,000,000.00	25,000,000.00	25,001,500.00	1.30	1.30	03/15/2019	153,472.22	1,500.00
Federal Farm Credit Bank	03/18/2016	25,000,000.00	25,000,000.00	25,016,750.00	1.28	1.28	03/21/2019	144,888.89	16,750.00
Federal Home Loan Mtg Corp	06/06/2016	25,000,000.00	25,000,000.00	25,033,500.00	1.25	1.25	06/06/2019	73,784.72	33,500.00
Federal Home Loan Bank	06/22/2016	25,000,000.00	25,432,496.97	25,413,500.00	1.63	0.99	06/14/2019	86,892.36	(18,996.97)
Federal National Mtg Assn	07/08/2015	20,000,000.00	20,213,720.68	20,422,200.00	1.75	1.36	06/20/2019	69,027.78	208,479.32
Federal Home Loan Mtg Corp	07/26/2016	25,000,000.00	25,000,000.00	24,916,000.00	1.07	1.07	07/26/2019	26,006.94	(84,000.00)
Federal Home Loan Mtg Corp	06/27/2016	25,000,000.00	25,243,177.74	25,164,000.00	1.25	0.91	08/01/2019	26,041.67	(79,177.74)
Federal Home Loan Mtg Corp	08/23/2016	25,000,000.00	25,000,000.00	24,872,250.00	1.15	1.15	08/23/2019	6,388.89	(127,750.00)
Federal Farm Credit Bank	08/26/2016	50,000,000.00	50,000,000.00	50,000,000.00	1.00	1.00	08/26/2019	6,944.44	0.00
Federal Home Loan Mtg Corp	03/30/2016	25,000,000.00	25,000,000.00	25,047,500.00	1.40	1.40	09/30/2019	146,805.56	47,500.00
Federal Home Loan Mtg Corp	11/21/2014	25,000,000.00	24,605,945.18	25,159,000.00	1.25	1.79	10/02/2019	129,340.28	553,054.82
Federal Home Loan Bank	01/09/2015	20,000,000.00	20,484,206.90	20,830,000.00	2.38	1.61	12/13/2019	102,916.67	345,793.10
Federal National Mtg Assn	03/30/2016	25,000,000.00	25,000,000.00	25,023,000.00	1.38	1.38	12/30/2019	58,246.53	23,000.00
Federal Home Loan Mtg Corp	07/28/2016	50,000,000.00	50,000,000.00	49,891,500.00	1.10	1.10	01/28/2020	50,416.67	(108,500.00)
Federal Home Loan Mtg Corp	05/19/2015	25,000,000.00	24,808,518.52	25,235,000.00	1.38	1.59	05/01/2020	114,583.33	426,481.48
Federal Farm Credit Bank	06/29/2016	25,000,000.00	25,000,000.00	25,004,500.00	1.42	1.42	06/29/2020	61,138.89	4,500.00
Federal Home Loan Mtg Corp	10/06/2015	50,000,000.00	50,000,000.00	50,029,500.00	1.00	2.10	10/06/2020	201,388.89	29,500.00
Federal Home Loan Mtg Corp	03/30/2016	25,000,000.00	25,000,000.00	25,007,500.00	1.55	2.12	03/30/2021	162,534.72	7,500.00
Federal National Mtg Assn	06/17/2016	15,000,000.00	15,009,052.44	14,961,750.00	1.25	1.24	05/06/2021	54,687.50	(47,302.44)
Federal Home Loan Bank	07/14/2016	15,000,000.00	15,461,292.03	15,354,750.00	1.88	1.21	06/11/2021	62,500.00	(106,542.03)
Federal Home Loan Mtg Corp	07/12/2016	25,000,000.00	25,000,000.00	24,954,500.00	1.13	2.02	07/12/2021	38,281.25	(45,500.00)

INVESTMENT INVENTORY – MARKET VALUE

San Diego Pooled Money Fund
As of August 31, 2016

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM 365 Equiv.	Maturity Date	Accrued Interest	Unrealized Gain/Loss
Federal Home Loan Bank	08/04/2016	35,000,000.00	34,854,540.31	34,666,800.00	1.13	1.21	07/14/2021	51,406.25	(187,740.31)
Federal Home Loan Mtg Corp	07/20/2016	25,000,000.00	25,000,000.00	24,862,500.00	1.25	1.61	07/20/2021	35,590.28	(137,500.00)
Federal National Mtg Assn	07/20/2016	14,500,000.00	14,500,000.00	14,418,655.00	1.25	1.61	07/20/2021	20,642.36	(81,345.00)
Federal Home Loan Mtg Corp	07/27/2016	25,000,000.00	25,000,000.00	24,925,000.00	1.35	1.61	07/27/2021	31,875.00	(75,000.00)
Federal National Mtg Assn	07/27/2016	25,000,000.00	25,000,000.00	24,951,750.00	1.00	1.89	07/27/2021	23,611.11	(48,250.00)
Federal National Mtg Assn	07/27/2016	14,445,000.00	14,445,000.00	14,388,375.60	1.25	1.48	07/27/2021	17,053.13	(56,624.40)
Federal Home Loan Mtg Corp	08/03/2016	25,000,000.00	25,000,000.00	24,946,000.00	1.00	1.93	08/03/2021	19,444.44	(54,000.00)
Federal Agency Subtotal		2,094,493,000.00	2,099,510,204.84	2,102,357,091.85	1.23	1.12		6,458,259.34	2,846,887.01
Money Market Accounts									
BlackRock	06/01/2015	10,000,000.00	10,000,000.00	10,000,000.00	0.01	0.01		1,887.87	0.00
CalTrust	06/01/2015	35,000,000.00	35,000,000.00	35,140,000.00	0.51	0.51		22,675.15	140,000.00
CalTrust	12/07/2015	26,400,000.00	26,400,000.00	26,400,000.00	0.07	0.07		9,457.84	0.00
Fidelity Government Fund	06/21/2016	56,900,000.00	56,900,000.00	56,900,000.00	0.11	0.11		8,388.75	0.00
Federated Government Fund	06/30/2016	0.00	0.00	0.00	0.39	0.39		395.34	0.00
Fidelity	06/01/2015	0.00	0.00	0.00	0.11	0.11		11,097.47	0.00
Federated Prime Fund	03/02/2016	0.00	0.00	0.00	0.39	0.39		827.01	0.00
Morgan Stanley	06/01/2015	0.00	0.00	0.00	0.39	0.39		3,188.14	0.00
Morgan Stanley	06/01/2015	0.00	0.00	0.00	0.02	0.02		28.50	0.00
Money Market Accounts Subtotal		128,300,000.00	128,300,000.00	128,440,000.00	0.20	0.20		57,946.07	140,000.00
Negotiable CDs									
Societe Generale NY	06/03/2016	25,000,000.00	25,000,000.00	25,000,000.00	0.59	0.60	09/01/2016	36,875.00	0.00
Wells Fargo Bank NA	01/27/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.87	0.88	09/01/2016	263,416.67	0.00
Nordea Bank Finland	04/08/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.67	0.68	09/02/2016	135,861.11	0.00
Swedbank NY	04/08/2016	25,000,000.00	25,000,000.00	25,000,000.00	0.65	0.66	09/08/2016	65,902.78	0.00
Bank of Nova Scotia	01/19/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.88	0.89	09/09/2016	276,222.22	0.00
Bank of Nova Scotia	01/27/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.91	0.92	09/23/2016	275,527.78	0.00
Royal Bank of Canada	12/10/2015	100,000,000.00	100,000,000.00	100,000,000.00	0.98	0.99	09/30/2016	720,416.67	0.00
Royal Bank of Canada	01/27/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.95	0.96	09/30/2016	287,638.89	0.00
Westpac Bank NY	03/28/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.86	0.87	09/30/2016	187,527.78	0.00
Wells Fargo Bank NA	03/28/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.86	0.87	09/30/2016	187,527.78	0.00
Bank of Nova Scotia	03/31/2016	40,000,000.00	40,000,000.00	40,000,000.00	0.85	0.86	10/07/2016	145,444.44	0.00
Bank of Nova Scotia	03/31/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.85	0.86	10/11/2016	181,805.56	0.00

INVESTMENT INVENTORY – MARKET VALUE

San Diego Pooled Money Fund
As of August 31, 2016

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM 365 Equiv.	Maturity Date	Accrued Interest	Unrealized Gain/Loss
Wells Fargo Bank NA	05/06/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.83	0.84	10/21/2016	136,027.78	0.00
UBS AG Stamford	05/11/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.80	0.81	10/31/2016	125,555.56	0.00
Wells Fargo Bank NA	04/27/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.87	0.88	10/31/2016	153,458.33	0.00
Bank of America Corp	05/11/2016	25,000,000.00	25,000,000.00	25,000,000.00	0.81	0.82	11/01/2016	63,562.50	0.00
Wells Fargo Bank NA	05/26/2016	25,000,000.00	25,000,000.00	25,000,000.00	0.87	0.88	11/02/2016	59,208.33	0.00
Canadian Imp Bk Comm NY	05/26/2016	25,000,000.00	25,000,221.39	25,000,000.00	0.84	0.85	11/04/2016	57,166.67	(221.39)
Wells Fargo Bank NA	05/26/2016	25,000,000.00	25,000,000.00	25,000,000.00	0.89	0.90	11/07/2016	60,569.44	0.00
Wells Fargo Bank NA	05/26/2016	25,000,000.00	25,000,000.00	25,000,000.00	0.89	0.90	11/08/2016	60,569.44	0.00
UBS AG Stamford	06/17/2016	25,000,000.00	25,000,000.00	25,000,000.00	0.89	0.90	12/07/2016	46,972.22	0.00
UBS AG Stamford	06/17/2016	100,000,000.00	100,000,000.00	100,000,000.00	0.89	0.90	12/16/2016	187,888.89	0.00
UBS AG Stamford	06/30/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.87	0.88	12/16/2016	76,125.00	0.00
Canadian Imp Bk Comm NY	08/02/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.98	0.99	12/29/2016	40,833.33	0.00
Bank of Nova Scotia	06/28/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.90	0.91	01/03/2017	81,250.00	0.00
Toronto Dominion NY	06/23/2016	25,000,000.00	25,000,000.00	25,000,000.00	0.90	0.91	01/03/2017	43,750.00	0.00
Toronto Dominion NY	06/30/2016	50,000,000.00	50,000,000.00	50,000,000.00	0.90	0.91	01/11/2017	78,750.00	0.00
UBS AG Stamford	06/30/2016	100,000,000.00	100,000,000.00	100,000,000.00	0.90	0.91	01/20/2017	157,500.00	0.00
Westpac Bank NY	04/22/2016	50,000,000.00	50,000,000.00	50,000,000.00	1.03	1.04	01/23/2017	188,833.33	0.00
Bank of Nova Scotia	08/10/2016	50,000,000.00	50,000,000.00	50,000,000.00	1.13	1.15	01/31/2017	34,527.78	0.00
UBS AG Stamford	07/14/2016	50,000,000.00	50,000,000.00	50,000,000.00	1.05	1.07	01/31/2017	71,458.33	0.00
Bank of Montreal	07/27/2016	25,000,000.00	25,000,000.00	25,000,000.00	1.12	1.14	02/01/2017	28,000.00	0.00
Svenska Hndl NY	08/31/2016	50,000,000.00	50,000,000.00	50,000,000.00	1.07	1.09	02/08/2017	1,486.11	0.00
Wells Fargo Bank NA	04/14/2016	25,000,000.00	25,000,000.00	25,000,000.00	1.05	1.07	02/15/2017	102,083.33	0.00
Bank of Nova Scotia	08/29/2016	50,000,000.00	50,000,000.00	50,000,000.00	1.23	1.25	02/24/2017	5,125.00	0.00
Canadian Imp Bk Comm NY	08/29/2016	50,000,000.00	50,000,000.00	50,000,000.00	1.23	1.25	02/28/2017	5,125.00	0.00
Royal Bank of Canada	08/29/2016	100,000,000.00	100,000,000.00	100,000,000.00	1.22	1.24	02/28/2017	10,166.67	0.00
Bank of Nova Scotia	08/19/2016	25,000,000.00	25,000,000.00	25,000,000.00	1.20	1.22	03/01/2017	10,833.33	0.00
Wells Fargo Bank NA	05/25/2016	25,000,000.00	25,000,000.00	25,000,000.00	1.21	1.23	04/20/2017	83,187.50	0.00
Royal Bank of Canada	07/07/2016	100,000,000.00	100,000,000.00	100,000,000.00	1.08	1.10	06/30/2017	168,000.00	0.00
Toronto Dominion NY	07/05/2016	50,000,000.00	50,000,000.00	50,000,000.00	1.10	1.12	06/30/2017	88,611.11	0.00
Toronto Dominion NY	07/06/2016	100,000,000.00	100,000,000.00	100,000,000.00	1.10	1.12	06/30/2017	174,166.67	0.00
Toronto Dominion NY	07/28/2016	7,500,000.00	7,500,000.00	7,500,000.00	1.30	1.32	07/21/2017	9,479.17	0.00
Negotiable CDs Subtotal		2,072,500,000.00	2,072,500,221.39	2,072,500,000.00	0.97	0.97		5,174,437.50	(221.39)

INVESTMENT INVENTORY – MARKET VALUE

San Diego Pooled Money Fund
As of August 31, 2016

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM 365 Equiv.	Maturity Date	Accrued Interest	Unrealized Gain/Loss
Repurchase Agreements									
Wells Fargo Bank NA	06/30/2015	0.00	0.00	0.00	0.01	0.01		0.00	0.00
Repurchase Agreements Subtotal:		0.00	0.00	0.00	0.00	0.00		0.00	0.00
Supranational Callable									
Intl Bank For Recon and Dev	08/22/2016	24,350,000.00	24,347,591.69	24,350,000.00	1.12	1.12	12/03/2018	68,180.00	2,408.31
Intl Bank For Recon and Dev	04/26/2016	25,000,000.00	25,000,000.00	24,956,500.00	1.25	1.25	04/26/2019	108,506.94	(43,500.00)
Intl Bank For Recon and Dev	04/26/2016	25,000,000.00	25,000,000.00	24,956,500.00	1.25	1.25	04/26/2019	108,506.94	(43,500.00)
Intl Bank For Recon and Dev	09/30/2015	25,000,000.00	25,000,000.00	25,000,000.00	1.00	1.00	09/30/2020	104,861.11	0.00
Intl Bank For Recon and Dev	10/30/2015	25,000,000.00	25,000,000.00	25,007,750.00	1.00	1.00	10/15/2020	94,527.78	7,750.00
Supranational Callable Subtotal:		124,350,000.00	124,347,591.69	124,270,750.00	1.12	1.13		484,582.77	(76,841.69)
Supranationals									
Inter-American Development B k	12/04/2015	31,743,000.00	31,742,547.83	31,746,174.30	0.63	0.67	09/12/2016	93,134.84	3,626.47
Inter-American Development B k	12/04/2015	23,141,000.00	23,175,198.91	23,178,257.01	5.13	0.67	09/13/2016	553,455.58	3,058.10
Inter-American Development B k	12/02/2015	51,700,000.00	51,744,299.54	51,751,700.00	1.38	0.72	10/18/2016	262,628.82	7,400.46
Inter-American Development B k	12/03/2015	42,150,000.00	42,161,491.42	42,180,769.50	0.88	0.74	11/15/2016	108,594.79	19,278.08
Intl Bank For Recon and Dev	06/23/2015	25,000,000.00	24,998,867.17	25,042,500.00	1.00	1.00	11/15/2017	73,611.11	43,632.83
Intl Bank For Recon and Dev	06/23/2015	25,000,000.00	24,998,867.17	25,042,500.00	1.00	1.00	11/15/2017	73,611.11	43,632.83
Intl Bank For Recon and Dev	06/23/2015	25,000,000.00	24,998,867.17	25,042,500.00	1.00	1.00	11/15/2017	73,611.11	43,632.83
Intl Bank For Recon and Dev	04/30/2015	50,000,000.00	49,951,056.00	50,062,000.00	1.00	1.06	06/15/2018	105,555.56	110,944.00
Intl Bank For Recon and Dev	10/07/2015	25,000,000.00	24,970,273.65	25,008,000.00	1.00	1.06	10/05/2018	101,388.89	37,726.35
International Finance Corp	07/20/2016	25,000,000.00	24,877,114.31	24,747,250.00	1.13	1.23	07/20/2021	32,031.25	(129,864.31)
Supranationals Subtotal:		323,734,000.00	323,618,583.17	323,801,650.81	1.31	0.90		1,477,623.06	183,057.64
Treasury Coupon Securities									
U.S. Treasury	09/29/2015	40,000,000.00	40,038,630.65	40,046,800.00	1.00	0.41	10/31/2016	134,782.61	8,169.35
U.S. Treasury	11/10/2015	45,000,000.00	44,985,655.16	45,018,900.00	0.50	0.63	11/30/2016	57,172.13	33,244.84
U.S. Treasury	12/12/2011	12,000,000.00	12,000,069.73	12,016,080.00	0.88	0.87	11/30/2016	26,680.33	16,010.27
U.S. Treasury	10/20/2015	40,000,000.00	40,378,988.30	40,376,800.00	3.25	0.37	12/31/2016	222,554.35	(2,188.30)
U.S. Treasury	12/24/2014	15,000,000.00	15,005,095.90	15,028,200.00	0.88	0.79	01/31/2017	11,413.04	23,104.10
U.S. Treasury	03/12/2012	15,000,000.00	14,997,906.90	15,026,250.00	0.88	0.90	02/28/2017	362.57	28,343.10
U.S. Treasury	09/04/2015	20,000,000.00	20,049,395.69	20,050,000.00	1.00	0.57	03/31/2017	84,153.01	604.31
U.S. Treasury	09/29/2015	35,000,000.00	35,070,564.82	35,069,650.00	0.88	0.57	04/30/2017	103,192.93	(914.82)

INVESTMENT INVENTORY – MARKET VALUE

San Diego Pooled Money Fund
As of August 31, 2016

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM 365 Equiv.	Maturity Date	Accrued Interest	Unrealized Gain/Loss
U.S. Treasury	06/08/2012	15,000,000.00	15,388,318.54	15,410,100.00	4.50	0.73	05/15/2017	199,932.07	21,781.46
U.S. Treasury	06/05/2015	10,000,000.00	10,154,838.15	10,157,800.00	2.75	0.65	05/31/2017	69,877.05	2,961.85
U.S. Treasury	10/20/2015	40,000,000.00	40,645,683.56	40,615,600.00	2.50	0.54	06/30/2017	171,195.65	(30,083.56)
U.S. Treasury	10/12/2012	15,000,000.00	14,978,852.10	14,976,600.00	0.50	0.66	07/31/2017	6,521.74	(2,252.10)
U.S. Treasury	02/29/2016	15,000,000.00	15,221,484.37	15,230,250.00	2.38	0.75	07/31/2017	30,978.26	8,765.63
U.S. Treasury	12/24/2014	15,000,000.00	15,120,446.29	15,174,000.00	1.88	1.05	08/31/2017	776.93	53,553.71
U.S. Treasury	02/29/2016	45,000,000.00	45,491,828.90	45,522,000.00	1.88	0.77	08/31/2017	2,330.80	30,171.10
U.S. Treasury	09/04/2015	22,000,000.00	22,062,331.33	22,067,100.00	1.00	0.72	09/15/2017	101,630.43	4,768.67
U.S. Treasury	06/07/2013	15,000,000.00	15,171,542.59	15,199,200.00	1.88	0.87	10/31/2017	94,769.02	27,657.41
U.S. Treasury	04/06/2016	10,000,000.00	10,133,276.07	10,132,800.00	1.88	0.72	10/31/2017	63,179.35	(476.07)
U.S. Treasury	05/20/2015	10,000,000.00	10,173,122.89	10,186,300.00	2.25	0.84	11/30/2017	57,172.13	13,177.11
U.S. Treasury	04/06/2016	15,000,000.00	15,284,286.57	15,279,450.00	2.25	0.72	11/30/2017	85,758.20	(4,836.57)
U.S. Treasury	04/06/2016	10,000,000.00	10,034,758.04	10,033,600.00	1.00	0.73	12/15/2017	21,311.48	(1,158.04)
U.S. Treasury	01/07/2013	15,000,000.00	14,987,789.03	15,001,200.00	0.75	0.81	12/31/2017	19,259.51	13,410.97
U.S. Treasury	04/06/2016	10,000,000.00	10,019,298.92	10,017,600.00	0.88	0.73	01/15/2018	11,413.04	(1,698.92)
U.S. Treasury	12/24/2014	15,000,000.00	15,291,442.93	15,391,950.00	2.63	1.22	01/31/2018	34,239.13	100,507.07
U.S. Treasury	06/07/2013	15,000,000.00	14,954,327.75	14,995,950.00	0.75	0.96	02/28/2018	310.77	41,622.25
U.S. Treasury	06/07/2013	15,000,000.00	14,998,153.28	15,052,800.00	1.00	1.01	05/31/2018	38,114.75	54,646.72
U.S. Treasury	06/22/2016	25,000,000.00	25,158,519.19	25,142,500.00	1.13	0.77	06/15/2018	59,938.52	(16,019.19)
U.S. Treasury	02/12/2014	15,000,000.00	15,004,265.48	15,161,100.00	1.38	1.36	07/31/2018	17,934.78	156,834.52
U.S. Treasury	11/13/2013	15,000,000.00	15,033,401.45	15,202,200.00	1.50	1.38	08/31/2018	621.55	168,798.55
U.S. Treasury	12/05/2013	10,000,000.00	9,957,080.59	10,090,200.00	1.25	1.45	11/30/2018	31,762.30	133,119.41
U.S. Treasury	02/20/2014	15,000,000.00	14,907,571.77	15,139,500.00	1.25	1.52	01/31/2019	16,304.35	231,928.23
U.S. Treasury	04/17/2014	15,000,000.00	14,989,637.10	15,285,900.00	1.63	1.65	03/31/2019	102,561.48	296,262.90
U.S. Treasury	06/16/2014	15,000,000.00	14,920,529.39	15,246,750.00	1.50	1.70	05/31/2019	57,172.13	326,220.61
U.S. Treasury	06/27/2016	25,000,000.00	25,507,582.08	25,411,250.00	1.50	0.75	05/31/2019	95,286.89	(96,332.08)
U.S. Treasury	07/15/2016	10,000,000.00	9,988,421.45	9,956,300.00	0.75	0.79	07/15/2019	9,782.61	(32,121.45)
U.S. Treasury	08/21/2014	15,000,000.00	14,995,859.16	15,302,400.00	1.63	1.64	07/31/2019	21,195.65	306,540.84
U.S. Treasury	10/24/2014	15,000,000.00	15,110,374.76	15,364,500.00	1.75	1.50	09/30/2019	110,450.82	254,125.24
U.S. Treasury	12/08/2014	15,000,000.00	14,914,067.33	15,250,200.00	1.50	1.69	11/30/2019	57,172.13	336,132.67
U.S. Treasury	01/09/2015	15,000,000.00	15,058,819.49	15,309,450.00	1.63	1.50	12/31/2019	41,728.94	250,630.51
U.S. Treasury	02/12/2016	20,000,000.00	20,221,199.43	20,243,800.00	1.38	1.04	01/31/2020	23,913.04	22,600.57
U.S. Treasury	04/09/2015	10,000,000.00	9,967,086.95	10,078,100.00	1.25	1.35	02/29/2020	345.30	111,013.05
U.S. Treasury	02/12/2016	20,000,000.00	20,211,785.35	20,240,600.00	1.38	1.06	02/29/2020	759.67	28,814.65

INVESTMENT INVENTORY – MARKET VALUE

San Diego Pooled Money Fund
As of August 31, 2016

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM 365 Equiv.	Maturity Date	Accrued Interest	Unrealized Gain/Loss
U.S. Treasury	04/09/2015	10,000,000.00	9,919,682.94	10,033,600.00	1.13	1.36	03/31/2020	47,336.07	113,917.06
U.S. Treasury	02/19/2016	24,000,000.00	24,172,946.90	24,285,120.00	1.38	1.17	03/31/2020	138,852.46	112,173.10
U.S. Treasury	02/19/2016	24,000,000.00	24,162,815.97	24,282,240.00	1.38	1.18	04/30/2020	111,195.65	119,424.03
U.S. Treasury	06/05/2015	15,000,000.00	14,923,891.15	15,239,100.00	1.50	1.64	05/31/2020	57,172.13	315,208.85
U.S. Treasury	06/17/2016	35,000,000.00	35,471,509.64	35,314,300.00	1.38	1.08	05/31/2021	122,284.84	(157,209.64)
U.S. Treasury	08/29/2016	25,000,000.00	24,909,331.31	24,918,000.00	1.13	1.20	07/31/2021	24,456.52	8,668.69
Treasury Coupon Securities		917,000,000.00	922,144,467.34	925,574,090.00	1.52	0.93		2,797,309.11	3,429,622.66
Grand Total		7,546,226,500.00	7,552,347,723.49	7,556,434,029.66	1.07	0.96		16,483,609.58	4,086,306.17

TRANSACTION ACTIVITY REPORT

Investment #	Instrument Type	Issuer	Coupon	Transaction Type	Total Cash	Transaction Date
3689	Commercial Paper	Credit Agricole CIB	0.80	Purchase	(99,998,888.90)	08/01/2016
3688	Commercial Paper	Natixis US Finance C	0.80	Purchase	(359,995,999.97)	08/01/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Purchase	(2,904,200.69)	08/01/2016
3249	Money Market Funds	CalTrust	0.06	Redemption	10,000,000.00	08/01/2016
3608	Money Market Funds	Fidelity Government	0.11	Redemption	53,300,000.00	08/01/2016
3308	Commercial Paper	ING (US) Funding LLC	0.86	Redemption	75,000,000.00	08/01/2016
3686	Commercial Paper	Natixis US Finance C	0.30	Redemption	380,000,000.00	08/01/2016
3434	Negotiable CD	Nordea Bank Finland	0.61	Redemption	50,000,000.00	08/01/2016
3298	Commercial Paper	Rabobank Nederland	0.82	Redemption	125,000,000.00	08/01/2016
3256	Negotiable CD	Royal Bank of Canada	0.83	Redemption	50,000,000.00	08/01/2016
3695	Negotiable CD	Canadian Imp Bk Comm	0.98	Purchase	(50,000,000.00)	08/02/2016
3693	Commercial Paper	ING (US) Funding LLC	1.11	Purchase	(49,704,000.00)	08/02/2016
3694	Commercial Paper	ING (US) Funding LLC	1.13	Purchase	(49,670,416.67)	08/02/2016
3690	Commercial Paper	Natixis US Finance C	0.80	Purchase	(239,997,333.31)	08/02/2016
3691	Commercial Paper	Toyota Motor Credit	0.63	Purchase	(49,930,000.00)	08/02/2016
3692	Commercial Paper	Toyota Motor Credit	0.65	Purchase	(49,925,069.44)	08/02/2016
3689	Commercial Paper	Credit Agricole CIB	0.80	Redemption	100,000,000.00	08/02/2016
3688	Commercial Paper	Natixis US Finance C	0.80	Redemption	360,000,000.00	08/02/2016
3483	Negotiable CD	Nordea Bank Finland	0.60	Redemption	50,000,000.00	08/02/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Redemption	5,966,157.14	08/02/2016
3698	Federal Agencies	Federal Home Loan Mt	1.00	Purchase	(25,000,000.00)	08/03/2016
3608	Money Market Funds	Fidelity Government	0.11	Purchase	(6,900,000.00)	08/03/2016
3697	Commercial Paper	Natixis US Finance C	0.80	Purchase	(244,997,277.76)	08/03/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Purchase	(835,430.81)	08/03/2016
3690	Commercial Paper	Natixis US Finance C	0.80	Redemption	240,000,000.00	08/03/2016
3486	Commercial Paper	Toyota Motor Credit	0.58	Redemption	50,000,000.00	08/03/2016
3700	Federal Agencies	Federal Home Loan Ba	1.13	Purchase	(34,874,175.00)	08/04/2016
3608	Money Market Funds	Fidelity Government	0.11	Purchase	(4,500,000.00)	08/04/2016
3699	Commercial Paper	Natixis US Finance C	0.80	Purchase	(234,997,388.87)	08/04/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Purchase	(315,923.26)	08/04/2016
3697	Commercial Paper	Natixis US Finance C	0.80	Redemption	245,000,000.00	08/04/2016
3484	Negotiable CD	Nordea Bank Finland	0.60	Redemption	50,000,000.00	08/04/2016
3249	Money Market Funds	CalTrust	0.06	Purchase	(3,400,000.00)	08/05/2016
3701	Commercial Paper	Natixis US Finance C	0.80	Purchase	(274,990,833.32)	08/05/2016

TRANSACTION ACTIVITY REPORT

Investment #	Instrument Type	Issuer	Coupon	Transaction Type	Total Cash	Transaction Date
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Purchase	(3,016,676.35)	08/05/2016
3699	Commercial Paper	Natixis US Finance C	0.80	Redemption	235,000,000.00	08/05/2016
3485	Negotiable CD	Nordea Bank Finland	0.60	Redemption	50,000,000.00	08/05/2016
3709	Local CD	East West Bank	1.02	Purchase	(250,000.00)	08/08/2016
3702	Commercial Paper	Natixis US Finance C	0.80	Purchase	(324,996,388.86)	08/08/2016
3249	Money Market Funds	CalTrust	0.06	Redemption	18,000,000.00	08/08/2016
3379	Local CD	East West Bank	0.45	Redemption	250,000.00	08/08/2016
3701	Commercial Paper	Natixis US Finance C	0.80	Redemption	275,000,000.00	08/08/2016
3433	Negotiable CD	Nordea Bank Finland	0.61	Redemption	50,000,000.00	08/08/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Redemption	4,540,201.36	08/08/2016
3703	Commercial Paper	Natixis US Finance C	0.80	Purchase	(314,996,499.97)	08/09/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Purchase	(537,218.33)	08/09/2016
3608	Money Market Funds	Fidelity Government	0.11	Redemption	7,000,000.00	08/09/2016
3702	Commercial Paper	Natixis US Finance C	0.80	Redemption	325,000,000.00	08/09/2016
3707	Negotiable CD	Bank of Nova Scotia	1.13	Purchase	(50,000,000.00)	08/10/2016
3705	Commercial Paper	Natixis US Finance C	0.80	Purchase	(229,997,444.42)	08/10/2016
3706	Commercial Paper	Rabobank Nederland	1.16	Purchase	(49,706,777.78)	08/10/2016
3704	Asset Backed Securities	Toyota Auto Receivab	1.00	Purchase	(6,999,660.50)	08/10/2016
3519	Negotiable CD	Bank of America Corp	0.58	Redemption	25,000,000.00	08/10/2016
3608	Money Market Funds	Fidelity Government	0.11	Redemption	2,200,000.00	08/10/2016
3501	Commercial Paper	ING (US) Funding LLC	0.70	Redemption	25,000,000.00	08/10/2016
3703	Commercial Paper	Natixis US Finance C	0.80	Redemption	315,000,000.00	08/10/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Redemption	21,968.81	08/10/2016
3249	Money Market Funds	CalTrust	0.06	Purchase	(6,800,000.00)	08/11/2016
3708	Commercial Paper	Natixis US Finance C	0.80	Purchase	(214,997,611.09)	08/11/2016
3705	Commercial Paper	Natixis US Finance C	0.80	Redemption	230,000,000.00	08/11/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Redemption	479,959.80	08/11/2016
3711	Commercial Paper	Natixis US Finance C	0.80	Purchase	(214,992,833.32)	08/12/2016
3718	Local CD	Pacific Commerce Ban	0.90	Purchase	(250,000.00)	08/12/2016
3710	U.S. Treasury Notes	U.S. Treasury	2.25	Purchase	(24,997,452.45)	08/12/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Purchase	(458,320.45)	08/12/2016
3325	Commercial Paper	JP Morgan	0.92	Redemption	50,000,000.00	08/12/2016
3708	Commercial Paper	Natixis US Finance C	0.80	Redemption	215,000,000.00	08/12/2016
3365	Local CD	Pacific Commerce Ban	0.47	Redemption	250,000.00	08/12/2016

TRANSACTION ACTIVITY REPORT

Investment #	Instrument Type	Issuer	Coupon	Transaction Type	Total Cash	Transaction Date
3322	Negotiable CD	Toronto Dominion NY	0.92	Redemption	25,000,000.00	08/12/2016
3712	Commercial Paper	Natixis US Finance C	0.80	Purchase	(229,997,444.42)	08/15/2016
3580	Asset Backed Securities	American Honda Finan	1.13	Redemption	962,293.92	08/15/2016
3581	Asset Backed Securities	American Honda Finan	1.39	Redemption	221,510.42	08/15/2016
3557	Commercial Paper	American Honda Finan	0.55	Redemption	50,000,000.00	08/15/2016
3608	Money Market Funds	Fidelity Government	0.11	Redemption	1,300,000.00	08/15/2016
3594	Asset Backed Securities	Harley-Davidson Cred	1.09	Redemption	369,933.55	08/15/2016
3711	Commercial Paper	Natixis US Finance C	0.80	Redemption	215,000,000.00	08/15/2016
3710	U.S. Treasury Notes	U.S. Treasury	2.25	Redemption	24,988,281.25	08/15/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Redemption	485,156.82	08/15/2016
3713	Commercial Paper	Natixis US Finance C	0.80	Purchase	(214,997,611.09)	08/16/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Purchase	(233,391.76)	08/16/2016
3608	Money Market Funds	Fidelity Government	0.11	Redemption	3,600,000.00	08/16/2016
3712	Commercial Paper	Natixis US Finance C	0.80	Redemption	230,000,000.00	08/16/2016
3715	Commercial Paper	Natixis US Finance C	0.80	Purchase	(129,998,555.57)	08/17/2016
3716	Commercial Paper	Natixis US Finance C	0.80	Purchase	(199,997,777.80)	08/17/2016
3714	U.S. Treasury Notes	U.S. Treasury	2.25	Purchase	(24,981,742.53)	08/17/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Purchase	(13,223,961.59)	08/17/2016
3249	Money Market Funds	CalTrust	0.06	Redemption	2,200,000.00	08/17/2016
3713	Commercial Paper	Natixis US Finance C	0.80	Redemption	215,000,000.00	08/17/2016
3249	Money Market Funds	CalTrust	0.06	Purchase	(25,500,000.00)	08/18/2016
3717	Commercial Paper	Natixis US Finance C	0.80	Purchase	(359,995,999.97)	08/18/2016
3554	Commercial Paper	American Honda Finan	0.55	Redemption	50,000,000.00	08/18/2016
3715	Commercial Paper	Natixis US Finance C	0.80	Redemption	130,000,000.00	08/18/2016
3716	Commercial Paper	Natixis US Finance C	0.80	Redemption	200,000,000.00	08/18/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Redemption	13,253,837.08	08/18/2016
3720	Negotiable CD	Bank of Nova Scotia	1.20	Purchase	(25,000,000.00)	08/19/2016
3721	Commercial Paper	ING (US) Funding LLC	1.21	Purchase	(49,673,972.22)	08/19/2016
3719	Commercial Paper	Natixis US Finance C	0.80	Purchase	(299,989,999.98)	08/19/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Purchase	(3,393,263.84)	08/19/2016
3608	Money Market Funds	Fidelity Government	0.11	Redemption	6,000,000.00	08/19/2016
3570	Commercial Paper	Fortis/BNP Paribas B	0.54	Redemption	25,000,000.00	08/19/2016
3717	Commercial Paper	Natixis US Finance C	0.80	Redemption	360,000,000.00	08/19/2016
3726	Supranationals	Intl Bank For Recon	1.12	Purchase	(24,408,927.00)	08/22/2016

TRANSACTION ACTIVITY REPORT

Investment #	Instrument Type	Issuer	Coupon	Transaction Type	Total Cash	Transaction Date
3722	Commercial Paper	Natixis US Finance C	0.80	Purchase	(284,996,833.31)	08/22/2016
3249	Money Market Funds	CalTrust	0.06	Redemption	3,000,000.00	08/22/2016
3569	Commercial Paper	Fortis/BNP Paribas B	0.54	Redemption	25,000,000.00	08/22/2016
3719	Commercial Paper	Natixis US Finance C	0.80	Redemption	300,000,000.00	08/22/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Redemption	54,844.90	08/22/2016
3727	Federal Agencies	Federal Home Loan Mt	1.15	Purchase	(25,000,000.00)	08/23/2016
3608	Money Market Funds	Fidelity Government	0.11	Purchase	(4,400,000.00)	08/23/2016
3728	Commercial Paper	Natixis US Finance C	0.80	Purchase	(274,996,944.42)	08/23/2016
3568	Commercial Paper	Fortis/BNP Paribas B	0.54	Redemption	25,000,000.00	08/23/2016
3722	Commercial Paper	Natixis US Finance C	0.80	Redemption	285,000,000.00	08/23/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Redemption	2,913,508.98	08/23/2016
3729	Commercial Paper	Natixis US Finance C	0.80	Purchase	(329,996,333.30)	08/24/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Purchase	(3,746,096.47)	08/24/2016
3249	Money Market Funds	CalTrust	0.06	Redemption	2,800,000.00	08/24/2016
3567	Commercial Paper	Fortis/BNP Paribas B	0.54	Redemption	25,000,000.00	08/24/2016
3728	Commercial Paper	Natixis US Finance C	0.80	Redemption	275,000,000.00	08/24/2016
3714	U.S. Treasury Notes	U.S. Treasury	2.25	Redemption	24,968,750.00	08/24/2016
3730	Commercial Paper	Natixis US Finance C	0.80	Purchase	(334,996,277.75)	08/25/2016
3249	Money Market Funds	CalTrust	0.06	Redemption	1,400,000.00	08/25/2016
3729	Commercial Paper	Natixis US Finance C	0.80	Redemption	330,000,000.00	08/25/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Redemption	2,456,969.67	08/25/2016
3734	Federal Agencies	Federal Farm Credit	1.00	Purchase	(50,000,000.00)	08/26/2016
3608	Money Market Funds	Fidelity Government	0.11	Purchase	(5,500,000.00)	08/26/2016
3732	Commercial Paper	Fortis/BNP Paribas B	0.86	Purchase	(49,893,694.44)	08/26/2016
3733	Commercial Paper	Fortis/BNP Paribas B	0.86	Purchase	(49,899,666.67)	08/26/2016
3731	Commercial Paper	Natixis US Finance C	0.80	Purchase	(199,993,333.32)	08/26/2016
3730	Commercial Paper	Natixis US Finance C	0.80	Redemption	335,000,000.00	08/26/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Redemption	1,683,976.71	08/26/2016
3745	Local CD	Banc of California	1.02	Purchase	(20,000,000.00)	08/29/2016
3738	Negotiable CD	Bank of Nova Scotia	1.23	Purchase	(50,000,000.00)	08/29/2016
3736	Negotiable CD	Canadian Imp Bk Comm	1.23	Purchase	(50,000,000.00)	08/29/2016
3735	Commercial Paper	Natixis US Finance C	0.80	Purchase	(299,996,666.70)	08/29/2016
3739	Negotiable CD	Royal Bank of Canada	1.22	Purchase	(100,000,000.00)	08/29/2016
3737	U.S. Treasury Notes	U.S. Treasury	1.13	Purchase	(24,931,343.41)	08/29/2016

TRANSACTION ACTIVITY REPORT

Investment #	Instrument Type	Issuer	Coupon	Transaction Type	Total Cash	Transaction Date
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Purchase	(4,563,386.28)	08/29/2016
3386	Local CD	Banc of California	1.02	Redemption	20,000,000.00	08/29/2016
3249	Money Market Funds	CalTrust	0.06	Redemption	10,200,000.00	08/29/2016
3731	Commercial Paper	Natixis US Finance C	0.80	Redemption	200,000,000.00	08/29/2016
3222	Negotiable CD	Royal Bank of Canada	0.77	Redemption	75,000,000.00	08/29/2016
3240	Negotiable CD	Toronto Dominion NY	0.87	Redemption	50,000,000.00	08/29/2016
3330	Negotiable CD	Toronto Dominion NY	0.89	Redemption	25,000,000.00	08/29/2016
3329	Negotiable CD	Wells Fargo Bank NA	0.86	Redemption	25,000,000.00	08/29/2016
3741	Commercial Paper	Natixis US Finance C	0.80	Purchase	(49,999,444.44)	08/30/2016
3742	Commercial Paper	Natixis US Finance C	0.80	Purchase	(289,996,777.75)	08/30/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Purchase	(1,518,153.29)	08/30/2016
3249	Money Market Funds	CalTrust	0.06	Redemption	5,400,000.00	08/30/2016
3735	Commercial Paper	Natixis US Finance C	0.80	Redemption	300,000,000.00	08/30/2016
3608	Money Market Funds	Fidelity Government	0.11	Purchase	(24,200,000.00)	08/31/2016
3743	Commercial Paper	Natixis US Finance C	0.30	Purchase	(279,997,666.65)	08/31/2016
3744	Negotiable CD	Svenska Hndl NY	1.07	Purchase	(50,000,000.00)	08/31/2016
3436	Negotiable CD	Bank of America Corp	0.77	Redemption	50,000,000.00	08/31/2016
3741	Commercial Paper	Natixis US Finance C	0.80	Redemption	50,000,000.00	08/31/2016
3742	Commercial Paper	Natixis US Finance C	0.80	Redemption	290,000,000.00	08/31/2016
3454	Negotiable CD	Nordea Bank Finland	0.67	Redemption	85,000,000.00	08/31/2016
3441	Commercial Paper	Rabobank Nederland	0.73	Redemption	50,000,000.00	08/31/2016
1018	U.S. Treasury Notes	U.S. Treasury	1.00	Redemption	10,000,000.00	08/31/2016
1106	Repurchase Agreements	Wells Fargo Bank NA	0.01	Redemption	7,161,546.56	08/31/2016
Grand Total					431,479,809.48	

CONTACT US



Dan McAllister

San Diego County
Treasurer-Tax Collector

San Diego County Administration Center
1600 Pacific Highway, Room 101
San Diego, CA 92101
Telephone: 877-829-4732
Website: www.sdtreastax.com