NEW ISSUE - BOOK-ENTRY ONLY **RATINGS: Moody's: "Aa2"**
Fitch: "AA+"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series C Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporation. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS – Tax Exemption" herein.

$35,000,000
CAMPBELL UNION HIGH SCHOOL DISTRICT
(SANTA CLARA COUNTY, CALIFORNIA)
General Obligation Bonds
Election 2006, Series C

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

Issuance. The Campbell Union High School District General Obligation Bonds, Election of 2006, Series C (the "Series C Bonds"), in the aggregate principal amount of $35,000,000*, are being issued by the Campbell Union High School District (the "District"). The Series C Bonds were authorized at an election of the registered voters of the District held on November 7, 2006, which authorized the issuance of $90,000,000 principal amount of general obligation bonds for the purpose of financing the addition and modernization of school facilities. The Series C Bonds are the third and final series of bonds to be issued under this authorization. On behalf of the District, Santa Clara County (the "County") previously issued two series of bonds pursuant to the authorization (the "Series A Bonds" and the "Series B Bonds," as described herein). See "THE SERIES C BONDS – Authority for Issuance."

Security. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Series C Bonds. As described above, the District has previously issued the Series A Bonds and the Series B Bonds, which are also secured by and payable from property tax levies on parcels in the District. The Series A Bonds, the Series B Bonds and the Series C Bonds are payable on a parity basis with one another. See "SOURCES OF PAYMENT FOR THE BONDS."

Redemption. The Series C Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES C BONDS—Redemption."

Book-Entry Only. The Series C Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Series C Bonds. See "THE SERIES C BONDS—Book-Entry Only System."

Payments. Interest on the Series C Bonds accrues from their date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2011, by check mailed to the person in whose name each Series C Bond is registered. Payments of principal and interest on the Series C Bonds will be paid by U.S. Bank National Association, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Series C Bonds.

The following firm, serving as financial advisor, has assisted in the structuring of this issue:

NORTHCROSS | HILL | ACH
Financial Advisors to Public Agencies

Maturity Schedule
(See inside cover)

Cover Page. This cover page contains information for quick reference only. It is not a summary of all the provisions of the Series C Bonds. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision.

The Series C Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California. Certain legal matters also will be passed upon for the District by Jones Hall as Disclosure Counsel to the District. Certain matters will be passed upon for the Underwriter by its counsel, Fulbright & Jaworski L.L.P., Los Angeles, California. It is anticipated that the Series C Bonds will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about December 22, 2010, in New York, New York.

MORGAN STANLEY

This Official Statement is dated December 9, 2010.

MATURITY SCHEDULE

CAMPBELL UNION HIGH SCHOOL DISTRICT
(SANTA CLARA COUNTY, CALIFORNIA)
General Obligation Bonds
Election 2006, Series C

Base CUSIP†: 134159

Year (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2012	$585,000	3.000%	0.950%	103.263%	QU9
2013	605,000	3.000	1.150	104.739	QV7
2014	620,000	4.000	1.490	108.784	QW5
2015	645,000	4.000	1.890	109.268	QX3
2016	670,000	4.250	2.090	111.373	QY1
2017	700,000	5.000	2.500	115.138	QZ8
2018	735,000	5.000	2.800	114.978	RA2
2019	770,000	5.000	3.200	113.447	RB0
2020	810,000	5.000	3.500	112.146	RC8
2021	850,000	5.000	3.750	110.003(c)	RD6
2022	895,000	5.000	3.900	108.740(c)	RE4
2023	940,000	5.000	4.100	107.084(c)	RF1
2024	985,000	5.000	4.250	105.861(c)	RG9
2025	1,035,000	5.000	4.400	104.655(c)	RH7

$8,910,000 - 5.25% Term Bonds due August 1, 2032; Yield 5.05%; Price 101.502(c); CUSIP† 134159 RK0

$15,245,000 - 5.75% Term Bonds due August 1, 2040; Yield 5.18%; Price 104.265(c); CUSIP† 134159 RJ3

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c = Priced to par call on August 1, 2020.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Series C Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any owner of the Series C Bonds and the District or the Underwriter. This Official Statement and the information contained herein are subject to completion or amendment without notice.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District 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 other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Series C Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Projections. 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, 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.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by the District.

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Series C Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Series C Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Series C Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

Prior Preliminary Official Statement for Competitive Sale. The District circulated a Preliminary Official Statement dated November 9, 2010 with respect to the Series C Bonds in connection with a planned competitive sale of the Series C Bonds (the “Prior Official Statement”). The District has subsequently determined to issue the Series C Bonds through negotiated sale with the Underwriter as described in this Official Statement. This Official Statement constitutes the disclosure document with respect to the Series C Bonds, and the Prior Official Statement is no longer of any force and effect and should not be relied upon when making an investment decision with respect to the Series C Bonds.

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CAMPBELL UNION HIGH SCHOOL DISTRICT
SANTA CLARA COUNTY
STATE OF CALIFORNIA

DISTRICT ADMINISTRATIVE STAFF

Rhonda E. Farber, Ph.D., *Superintendent*
Patrick K. Gaffney, *Deputy Superintendent and Chief Business Officer*
Raymond R. Cutten, *Assistant Superintendent, Human Resources*
Patti Gregory, Assistant Superintendent, *Curricular & Instruction*
Greg Torr, *Director of Fiscal Services*

PROFESSIONAL SERVICES

Financial Advisor

Northcross, Hill & Ach, Inc.
San Rafael, California

Bond Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Paying Agent

U.S. Bank National Association
San Francisco, California

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OFFICIAL STATEMENT

$35,000,000
CAMPBELL UNION HIGH SCHOOL DISTRICT
(SANTA CLARA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS
ELECTION 2006, SERIES C

The purpose of this Official Statement, which includes the cover page, the inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery by the Campbell Union High School District (the "**District**") of the bonds captioned above (the "**Series C Bonds**"). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Bond Resolution (as defined below).

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, the inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series C Bonds to potential investors is made only by means of the entire Official Statement.

The District. The District is located in western Santa Clara County (the "**County**"), approximately fifty miles south of the City of San Francisco and eight miles west of the downtown area of the City of San Jose. Formed in 1900, the District covers an area of approximately 30 square miles and serves the west side of the Santa Clara Valley with five comprehensive grade nine through twelve sites: (1) Branham, (2) Del Mar, (3) Leigh, (4) Prospect, and (5) Westmont High Schools. The District also maintains Boynton Continuation High School, which is an alternative school serving a variety of special needs, and the Camden Community Day School, which is an additional program/site, adding options for students. The District serves students in grades 9-12 and has an average daily attendance of approximately 7,122 students in fiscal year 2010-11.

Sources of Payment for the Series C Bonds. The Series C Bonds represent a general obligation of the District. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes for the payment of the Series C Bonds and the interest thereon upon all property within the District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "THE SERIES C BONDS -- Security" herein.

The Series C Bonds are not a debt of the County. The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem *taxes for payment of the Series C Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the Paying Agent for the payment of the principal of and interest on Series C Bonds at the time such payment is due.*

***Description of the Series C Bonds**.* The Series C Bonds will be dated their date of delivery (the "**Closing Date**") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. The Series C Bonds will mature on August 1 in the years indicated on the inside cover page hereof.

The Series C Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available to actual purchasers of the Series C Bonds (the "**Beneficial Owners**") in the denominations set forth on the cover page hereof, 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 Series C Bonds. See "APPENDIX F – DTC and the Book-Entry System." In event that the book-entry-only system described below is no longer used with respect to the Series C Bonds, the Series C Bonds will be registered in accordance with the Bond Resolution described herein. See "THE SERIES C BONDS -- Description of the Series C Bonds."

Redemption. The Series C Bonds are subject to redemption prior to maturity as described in "THE SERIES C BONDS - Redemption" herein.

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

Copies of documents referred to herein and information concerning the Series C Bonds are available from the Assistant Superintendent, Business Services, Campbell Union High School District, 3235 Union Avenue, San Jose, California 95124-2096. The District may impose a charge for copying, mailing and handling.

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

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

THE SERIES C BONDS

Authority for Issuance

Bonds Issued Pursuant to the Authorization. The Series C Bonds are being issued under Article 4.5 of Chapter 3 of Part 1 of Division 2 of the Government Code of the State of California, and other applicable provisions of law (collectively, the **"Bond Law"**), and under a resolution of the Board of Trustees (the **"Board"**) of the District adopted on October 21, 2010 (the **"Bond Resolution"**). The District received authorization at the Bond Election, by 58.2% (which exceeds the requisite 55%) affirmative vote of the qualified electors to issue general obligation bonds in a principal amount not to exceed $90,000,000 (the "**2006 Authorization**"). The following series of bonds have been issued under the Authorization:

- ***Series A Bonds***. On April 25, 2007, the County issued on behalf of the District a first series of bonds under the Authorization designated 2007 General Obligation Bonds, Election 2006, Series A in the aggregate principal amount of $25,000,000, currently outstanding in the aggregate principal amount of $21,335,000.

- ***Series B Bonds.*** On May 29, 2008, the County issued on behalf of the District a second series of bonds under the Authorization designated 2008 General Obligation Bonds, Election 2006, Series B in the aggregate principal amount of $30,000,000, currently outstanding in the aggregate principal amount of $29,255,000.

The Series C Bonds are the third and final series of bonds under the 2006 Authorization. In addition to the bonds issued pursuant to the 2006 Authorization, the District has other general obligation bonds outstanding. See "APPENDIX B – GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT – Long-Term Borrowing."

The 2010 Project. The net proceeds of the Series C Bonds will be used by the District for certain of the purposes authorized under the 2006 Authorization. The short-form of the ballot measure approved by District voters is as follows:

> *"To improve the quality of education by upgrading school facilities, shall Campbell Union High School District issue $90 million in bonds, within legal interest rates, for purposes including:*
>
> * *Renovating older classrooms and deteriorating restrooms, including seismic upgrades*
> * *Improving access for disabled students and teachers*
> * *Modernizing libraries and homework centers*
> * *Enhancing computer learning technology*
> * *Improving facilities for vocational training, arts, physical education and school safety*
> * *Qualifying for state matching funds*
>
> *With annual financial/performance audits and independent citizen's oversight?"*

Description of the Series C Bonds

General. The Series C Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive certificates representing their interest in the Series C Bonds. The Series C Bonds will be issued as fully registered Bonds, without coupons, in the denomination of $5,000 each or any integral multiple thereof, but in an amount not to exceed the aggregate principal amount of Series C Bonds maturing in the year of maturity of the Series C Bond for which the denomination is specified.

Maturities; Interest. Interest on the Series C Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year (each, an "**Interest Payment Date**"), commencing August 1, 2011. The Series C Bonds mature and become payable on August 1 of each year and on the dates and in the amounts and shall bear interest at such rate or rates, payable on the Interest Payment Dates, all as specified as set forth on the inside cover page hereof.

Each Series C Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of an Interest Payment Date, in which event it shall bear interest from such date, or (ii) it is registered and authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is registered and authenticated prior to the 15^{th} day of the month preceding the first Interest Payment Date, in which event it shall bear interest from its date of issuance; provided, however, that if at the time of authentication of a Series C Bond, interest is in default thereon, such Series C Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the Series C Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Paying Agent

U.S. Bank National Association, San Francisco, California, will act as the registrar, transfer agent, and paying agent for the Series C Bonds (the "**Paying Agent**"). As long as DTC is the registered owner of the Series C Bonds and DTC's book-entry method is used for the Series C Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Series C Bonds called for redemption or of any other action covered by such notice.

The Paying Agent and the District have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Series C Bonds.

Registration, Transfer and Exchange of Series C Bonds

If the book-entry system is discontinued, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Series C Bonds.

If the book-entry system is discontinued, the person in whose name a Series C Bond is registered on the Bond Register shall be regarded as the absolute owner of that Series C Bond.

Payment of the principal of and interest on any Series C Bond shall be made only to or upon the order of that person; neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution.

Series C Bonds may be exchanged for Series C Bonds of like tenor, maturity and principal amount upon presentation and surrender at the principal corporate trust office of the Paying Agent in San Francisco, California. Any Series C Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Series C Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series C Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Series C Bonds shall be required to be made fifteen days prior to an Interest Payment Date.

Book-Entry-Only System

The Series C Bonds will be issued in fully registered form only and, when initially issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series C Bonds. Purchasers of the Series C Bonds will not receive physical certificates representing their beneficial ownership interests in the Series C Bonds purchased. Payments of principal and interest on the Series C Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Series C Bonds. See “APPENDIX F – DTC AND THE BOOK-ENTRY SYSTEM” herein.

Redemption

Optional Redemption. The Series C Bonds maturing on or before August 1, 2020 are not subject to redemption prior to their respective stated maturities. The Series C Bonds maturing on or after August 1, 2021, are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2020, and on any date thereafter, at a redemption price of 100% of the principal amount of Series C Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption**.** The Series C Bonds maturing on August 1, 2032, and August 1, 2040 (together, the **“Term Bonds”**), will be subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedules, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however*, that if some but not all of such Term Bonds have been redeemed pursuant to optional redemption described above, the remaining sinking fund installments for the Term Bonds shall be adjusted as determined by the District in integral multiples of $5,000, as designated in written notice filed by the District with the Paying Agent.

Mandatory Sinking Fund Redemption
$8,910,000 Term Bonds due August 1, 2032

Sinking Fund Redemption Dates (August 1)	Principal Amount to Be Redeemed
2026	$1,085,000
2027	1,145,000
2028	1,205,000
2029	1,265,000
2030	1,335,000
2031	1,400,000
2032 (maturity)	1,475,000

Mandatory Sinking Fund Redemption
$15,245,000 Term Bonds due August 1, 2040

Sinking Fund Redemption Dates (August 1)	Principal Amount to Be Redeemed
2033	$1,555,000
2034	1,645,000
2035	1,735,000
2036	1,835,000
2037	1,945,000
2038	2,055,000
2039	2,175,000
2040 (final maturity)	2,300,000

Selection of Bonds for Redemption. Whenever less than all of the outstanding Series C Bonds of any one maturity are to be redeemed, the Paying Agent shall select the Series C Bonds of such maturity to be redeemed by lot. For purposes of such selection, Series C Bonds shall be deemed to be composed of $5,000 (principal amount) multiples and any multiple thereof may be separately redeemed.

Notice of Redemption. The Paying Agent shall cause notice of any redemption to be mailed, by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to (i) the Municipal Securities Rulemaking Board, and (ii) to the respective Owners of any Series C Bonds designated for redemption, at their addresses appearing on the registration books. Such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Series C Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then-Outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Series C Bonds to be redeemed by giving the individual number of each Series C Bond or by stating that all Series C Bonds between two stated numbers, both inclusive, or by stating that all of the Series C Bonds of one or more maturities have been called for redemption, and shall require that such Series C Bonds be then surrendered at the Principal Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Series C Bonds will not accrue from and after the redemption date.

Upon surrender of Series C Bonds redeemed in part only, the District shall execute and the

Paying Agent shall authenticate and deliver to the Owner, at the expense of the District, a new Series C Bond or Series C Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series C Bond or Series C Bonds.

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

Defeasance

The Series C Bonds may be paid by the District in any of the following ways:

(i) by paying or causing to be paid the principal or redemption price of and interest on such Series C Bonds, as and when the same become due and payable;

(ii) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Series C Bonds; or

(iii) by delivering such Series C Bonds to the Paying Agent for cancellation by it.

If the District pays all outstanding Series C Bonds and also pays or causes to be paid all other sums payable by the District, then and in that case, at the election of the District, and notwithstanding that any Series C Bonds have not been surrendered for payment, the Bond Resolution and all covenants, agreements and other obligations of the District under the Bond Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Bond Resolution. In that event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it under the Bond Resolution which are not required for the payment or redemption of Series C Bonds not theretofore surrendered for such payment or redemption.

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series C Bonds are as follows:

Sources of Funds:	
Principal Amount of Series C Bonds	$35,000,000.00
Plus: Net Original Issue Premium	1,775,952.45
Total Sources	*$36,775,952.45*
Uses of Funds:	
Deposit to Building Fund	$35,000,000.00
Deposit to Debt Service Fund	1,360,445.90
Costs of Issuance (1)	415,506.55
Total Uses	*$36,775,952.45*

(1) Costs of Issuance include underwriter's discount, legal fees, printing costs and other miscellaneous expenses.

DEBT SERVICE SCHEDULE

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

Campbell Union High School District
GENERAL OBLIGATION BONDS, ELECTION 2006, SERIES C

Date	Principal	Interest	Annual Total
8/1/11	-	$1,122,458.65	$1,122,458.65
2/1/12	-	922,568.75	922,568.75
8/1/12	$585,000.00	922,568.75	1,507,568.75
2/1/13		913,793.75	913,793.75
8/1/13	605,000.00	913,793.75	1,518,793.75
2/1/14		904,718.75	904,718.75
8/1/14	620,000.00	904,718.75	1,524,718.75
2/1/15		892,318.75	892,318.75
8/1/15	645,000.00	892,318.75	1,537,318.75
2/1/16		879,418.75	879,418.75
8/1/16	670,000.00	879,418.75	1,549,418.75
2/1/17		865,181.25	865,181.25
8/1/17	700,000.00	865,181.25	1,565,181.25
2/1/18		847,681.25	847,681.25
8/1/18	735,000.00	847,681.25	1,582,681.25
2/1/19		829,306.25	829,306.25
8/1/19	770,000.00	829,306.25	1,599,306.25
2/1/20		810,056.25	810,056.25
8/1/20	810,000.00	810,056.25	1,620,056.25
2/1/21		789,806.25	789,806.25
8/1/21	850,000.00	789,806.25	1,639,806.25
2/1/22		768,556.25	768,556.25
8/1/22	895,000.00	768,556.25	1,663,556.25
2/1/23		746,181.25	746,181.25
8/1/23	940,000.00	746,181.25	1,686,181.25
2/1/24		722,681.25	722,681.25
8/1/24	985,000.00	722,681.25	1,707,681.25
2/1/25		698,056.25	698,056.25
8/1/25	1,035,000.00	698,056.25	1,733,056.25
2/1/26		672,181.25	672,181.25
8/1/26	1,085,000.00	672,181.25	1,757,181.25
2/1/27		643,700.00	643,700.00
8/1/27	1,145,000.00	643,700.00	1,788,700.00
2/1/28		613,643.75	613,643.75
8/1/28	1,205,000.00	613,643.75	1,818,643.75
2/1/29		582,012.50	582,012.50
8/1/29	1,265,000.00	582,012.50	1,847,012.50
2/1/30		548,806.25	548,806.25
8/1/30	1,335,000.00	548,806.25	1,883,806.25
2/1/31		513,762.50	513,762.50
8/1/31	1,400,000.00	513,762.50	1,913,762.50
2/1/32		477,012.50	477,012.50
8/1/32	1,475,000.00	477,012.50	1,952,012.50
2/1/33		438,293.75	438,293.75
8/1/33	1,555,000.00	438,293.75	1,993,293.75
2/1/34		393,587.50	393,587.50
8/1/34	1,645,000.00	393,587.50	2,038,587.50
2/1/35		346,293.75	346,293.75
8/1/35	1,735,000.00	346,293.75	2,081,293.75
2/1/36		296,412.50	296,412.50
8/1/36	1,835,000.00	296,412.50	2,131,412.50
2/1/37		243,656.25	243,656.25
8/1/37	1,945,000.00	243,656.25	2,188,656.25
2/1/38		187,737.50	187,737.50
8/1/38	2,055,000.00	187,737.50	2,242,737.50
2/1/39		128,656.25	128,656.25
8/1/39	2,175,000.00	128,656.25	2,303,656.25
2/1/40		66,125.00	66,125.00
8/1/40	2,300,000.00	66,125.00	2,366,125.00
Total	$35,000,000.00	$36,606,871.15	$71,606,871.15

The following table shows the combined debt service schedule with respect to the District's other outstanding general obligation bonds, together with the Series C Bonds. See Appendix B – "District General and Financial Information – Long-Term Debt" for additional information.

Campbell Union High School District
Combined Debt Service Schedule
General Obligation Bonds*

Period Ending (Aug. 1)	2003 Bonds	2005 Refunding Bonds	2005 Bonds	2009 Refunding Bonds	Series A Bonds	Series B Bonds	Series C Bonds	Aggregate Annual Debt Service
2011	$1,290,456	$1,425,614	$1,264,931	$2,262,188	$2,233,269	$1,893,484	$1,122,459	$11,500,400
2012	1,265,456	1,427,864	1,264,531	2,266,188	954,519	1,897,234	2,430,138	11,515,679
2013	1,265,656	1,433,614	1,268,151	2,268,588	947,119	1,894,484	2,432,588	11,516,449
2014	1,265,056	1,437,614	1,265,339	2,269,388	1,399,919	1,895,484	2,429,438	11,960,161
2015	1,268,656	1,439,864	1,265,739	2,268,588	1,563,244	1,894,984	2,429,638	12,134,211
2016	1,266,256	1,435,539	1,265,339	2,270,588	1,678,706	1,904,384	2,428,838	12,257,274
2017	1,268,056	1,443,364	1,268,476	2,274,838	1,688,006	1,900,634	2,430,363	12,277,136
2018	1,268,100	1,443,164	1,264,889	2,272,838	1,685,394	1,903,621	2,430,363	12,269,168
2019	1,266,325	1,446,764	1,265,164	2,280,138	1,686,294	1,897,890	2,428,613	12,267,686
2020	1,268,160	1,443,964	1,269,064	2,279,338	1,682,894	1,902,090	2,430,113	12,276,866
2021	1,268,020	1,443,264	1,266,344	2,281,538	1,683,094	1,899,890	2,429,613	12,278,931
2022	1,265,845	1,445,209	1,268,594	2,279,350	1,685,400	1,901,490	2,432,113	12,280,545
2023	1,266,575	1,450,434	1,264,094	2,283,488	1,685,850	1,904,515	2,432,363	12,285,198
2024	1,265,500	1,447,754	1,268,094	2,283,425	1,683,600	1,905,840	2,430,363	12,282,660
2025	1,269,750	1,448,314	1,265,094	2,289,163	1,683,875	1,904,278	2,431,113	12,289,610
2026	1,266,750	1,445,839	1,265,344	2,290,175	1,677,875	1,909,728	2,429,363	12,287,673
2027	1,266,750	1,446,339	1,268,594	2,296,463	1,664,125	1,907,928	2,432,400	12,283,966
2028	1,269,500	1,448,439	1,267,894	2,297,500	1,657,875	1,909,103	2,432,288	12,282,646
2029	1,269,750	1,447,708	1,265,344	2,298,250	1,648,625	1,913,028	2,429,025	12,274,809
2030	1,267,500	1,448,488	1,265,944	2,289,000	1,643,600	1,912,990	2,432,613	10,811,646
2031	1,267,750	1,450,788	1,264,463	--	1,645,875	1,914,475	2,427,525	8,520,088
2032	1,265,250	--	1,264,588	--	--	1,917,488	2,429,025	6,876,350
2033	--	--	1,267,338	--	--	1,917,413	2,431,588	5,616,338
2034	--	--	1,267,475	--	--	1,919,250	2,432,175	5,618,900
2035	--	--	--	--	--	1,914,000	2,427,588	4,341,588
2036	--	--	--	--	--	1,910,250	2,427,825	4,338,075
2037	--	--	--	--	--	1,912,750	2,432,313	4,345,063
2038	--	--	--	--	--	1,911,000	2,430,475	4,341,475
2039	--	--	--	--	--	--	2,432,313	2,432,313
2040	--	--	--	--	--	--	2,432,250	2,432,250
TOTAL	$27,901,119	$27,446,458	$30,390,823	$45,601,025	$33,879,156	$53,369,700	$71,606,871	$290,195,151

*Rounded to the nearest $1.

SOURCES OF PAYMENT FOR THE BONDS

Ad Valorem Taxes

The Series C Bonds are payable from *ad valorem* taxes. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal of and interest on the Series C Bonds, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). Such taxes will be levied annually in addition to all other taxes during the period that the Series C Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Series C Bonds when due. Such taxes, when collected, will be placed by the County in the District's Debt Service Fund, which is segregated and maintained by the County and which is irrevocably pledged for the payment of the Series C Bonds and interest thereon when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Series C Bonds, and will maintain the Debt Service Fund pledged to the repayment of the Series C Bonds, the Series C Bonds are not a debt of the County.

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

The amount of the annual *ad valorem* tax levied by the County to repay the Series C Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Series C Bonds in any year. Changes in the annual debt service on the Series C Bonds from year to year and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of the District and necessitate an unanticipated increase in annual tax levy.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state assessed public utilities' property and property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% 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 Department of Finance.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization (**"SBE"**) and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Historic Assessed Valuation

The District has a 2010-11 gross assessed valuation of $31,231,542,425. Shown in the following tables are historical assessed values for the District and the County, followed by table showing secured tax charges and delinquencies for the years indicated and a table showing assessed valuation and parcels by land use based on County data for the 2010-11 fiscal year.

TABLE 1
CAMPBELL UNION HIGH SCHOOL DISTRICT
Historic Assessed Valuations

Fiscal Year	Local Secured	Utility	Unsecured	Total Before Rdv. Increment	% Change
2001-02	$18,403,122,570	$ 4,244,909	$ 956,140,128	$19,363,507,607	-
2002-03	19,582,268,901	4,882,659	949,043,903	20,536,195,463	6.0
2003-04	21,079,863,312	392,406	883,382,176	21,963,637,894	6.9
2004-05	22,264,284,456	476,514	847,926,948	23,112,687,918	5.2
2005-06	24,411,314,978	448,033	890,491,703	25,302,254,714	9.4
2006-07	26,794,338,627	377,790	970,361,462	27,765,077,879	9.7
2007-08	28,886,564,433	53,000	1,057,165,403	29,943,782,836	7.8
2008-09	30,645,386,744	9,267,354	981,209,411	31,635,863,509	5.6
2009-10	30,806,292,973	16,681,366	972,371,229	31,795,345,568	0.5
2010-11	30,359,192,921	6,439,736	865,909,768	31,231,542,425	(1.7)

Source: California Municipal Statistics, Inc.

The assessed valuation of parcels in the District is comprised primarily of parcels used for residential uses, with 82.32% of assessed valuation attributable to residential uses, and 17.39 percent attributable to non-residential use. In addition, of all of the parcels within the District, 95.24% are used for residential purposes, with 72.52% of these parcels for single-family residential. The following table summarizes secured assessed valuation of parcels by land use in the District for the 2010-11 fiscal year.

TABLE 2
CAMPBELL UNION HIGH SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use

	2010-11 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 2,913,512	0.01%	21	0.03%
Commercial/Office	4,089,993,831	13.47	1,809	2.96
Industrial	657,652,620	2.17	298	0.49
Recreational	12,740,992	0.04	23	0.04
Government/Social/Institutional	410,737,036	1.35	187	0.31
Miscellaneous/Utilities	106,939,508	0.35	158	0.26
Subtotal Non-Residential	$5,280,977,499	17.39%	2,496	4.08%
Residential:				
Single Family Residence	$18,070,924,829	59.52%	44,334	72.52%
Condominium/Townhouse	3,236,918,833	10.66	9,676	15.83
Mobile Home	7,476,516	0.02	105	0.17
2-4 Residential Units	1,451,520,063	4.78	3,291	5.38
5+ Residential Units/Apartments	2,225,597,620	7.33	821	1.34
Subtotal Residential	$24,992,437,861	82.32%	58,227	95.24%
Vacant Parcels	$85,777,561	0.28%	413	0.68%
Total	$30,359,192,921	100.00%	61,136	100.00%

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

The greatest number of single-family residential parcels in the District have a value exceeding $500,000, representing 64% of the single-family assessed valuation, as set forth on the following table.

TABLE 3
CAMPBELL UNION HIGH SCHOOL DISTRICT
Per Parcel 2010-11 Assessed Valuation of Single Family Homes

	No. of Parcels	2010-11 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	44,334	$18,070,924,829	$407,609	$373,539

2010-11 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	15	0.034%	0.034%	$ 296,671	0.002%	0.002%
$25,000 - $49,999	610	1.376	1.410	26,929,989	0.149	0.151
$50,000 - $74,999	5,381	12.137	13.547	335,021,454	1.854	2.005
$75,000 - $99,999	2,658	5.995	19.543	229,639,105	1.271	3.275
$100,000 - $124,999	1,484	3.347	22.890	165,876,487	0.918	4.193
$125,000 - $149,999	1,128	2.544	25.434	154,469,529	0.855	5.048
$150,000 - $174,999	1,012	2.283	27.717	164,329,367	0.909	5.957
$175,000 - $199,999	1,055	2.380	30.097	198,511,285	1.099	7.056
$200,000 - $224,999	1,160	2.617	32.713	246,643,873	1.365	8.421
$225,000 - $249,999	1,082	2.441	35.154	257,539,317	1.425	9.846
$250,000 - $274,999	1,211	2.732	37.885	317,644,716	1.758	11.604
$275,000 - $299,999	1,298	2.928	40.813	373,237,783	2.065	13.669
$300,000 - $324,999	1,268	2.860	43.673	395,689,055	2.190	15.859
$325,000 - $349,999	1,417	3.196	46.869	477,919,470	2.645	18.503
$350,000 - $374,999	1,297	2.926	49.795	470,179,288	2.602	21.105
$375,000 - $399,999	1,219	2.750	52.544	472,084,123	2.612	23.718
$400,000 - $424,999	1,292	2.914	55.459	532,592,777	2.947	26.665
$425,000 - $449,999	1,104	2.490	57.949	482,740,555	2.671	29.336
$450,000 - $474,999	1,173	2.646	60.595	542,297,067	3.001	32.337
$475,000 - $499,999	1,303	2.939	63.534	635,001,001	3.514	35.851
$500,000 and greater	16,167	36.466	100.000	11,592,281,917	64.149	100.000
Total	44,334	100.000%		$18,070,924,829	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Appeals of Assessed Value

General. There are two types of appeals of assessed values that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

2009-10 Tax Year. According to the County Assessor's Office (the **"Assessor"**), the assessed values of 90,836 properties in the County were reduced by the Assessor as of the lien date, January 1, 2009, to reflect changes in market conditions. The reductions totaled $17.4 billion. As of January 1, 2009, approximately 20 percent of all single family homes and one-third of all condominiums were assessed below their purchase price. The aggregate reduction exceeded $17 billion, with the average reduction per residential property in the County increasing from $78,000 on 2008-09 to $170,000 in 2009-10.

2010-11 Tax Year. The Assessor reports that for the 2010-11 tax year, the assessed values of all real and business property in the County declined by 2.43% or $7.4 billion to $296.47 billion. The Assessor proactively reduced the assessed values of 118,690 properties pursuant to Proposition 8 described above. The assessed value of 79,755 single family residences in the County accounted for a $14.3 billion reduction in the assessment roll, due in part to foreclosures and falling home prices (instead of properties with old, low assessments transferring to new, much higher assessments, purchase prices were frequently below existing assessed values). In 2010, of the 27,528 changes in ownership, 12,004 resulted in a lower base year value than had previously been assigned to such property in the County. The City of San Jose realized a 3.10% decrease in assessed value from the prior year.

No assurance can be given that property tax appeals or other conditions in the District in the future will not significantly reduce the assessed valuation of property within the District.

Teeter Plan

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the **"Teeter Plan"**), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, "to accomplish a simplification of the tax-levying and tax apportioning process and an increased flexibility in the use of available cash resources." This alternative method is used for distribution of the *ad valorem* property tax revenues.

The County will be responsible for determining the amount of the *ad valorem* tax levy on each parcel in the District, which will be entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County auditor determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included, and apportions 100% of the tax and assessment levies to that fund's credit. Such monies may thereafter be drawn against by the taxing agency in the same manner as if the amount credited had been collected.

Under the Teeter Plan, the County establishes the Tax Loss Reserve Fund. The County determines which monies in the County treasury (including those credited to the Tax Loss Reserve Fund) shall be available to be drawn onto the extent of the amount of uncollected taxes credited to each fund for which a levy has been included. When amounts are received on the secured tax roll for the current year, or for redemption of tax-defaulted property, Teeter Plan monies are distributed to the apportioned tax resources accounts.

When tax-defaulted property is sold, the taxes and assessments which constitute the amount required to redeem the property are prorated between apportioned (Teeter) levies and unapportioned (or non-Teeter) levies. The pro rata share for apportioned levies is distributed to the tax losses reserve fund. The pro rata share for unapportioned levies is prorated between tax levies and assessment levies and then distributed to the applicable funds.

If the tax losses reserve fund exceeds 3% of the total taxes and assessments levied on the secured roll for that year, the amounts coming in after it reaches 3% are credited to the County's general fund. Upon adoption of a resolution by the Board of Supervisors of the County by September 1 of any fiscal year, the 3% tax losses reserve fund threshold may be reduced to 50% of the total delinquent taxes and assessments for the previous year.

The Teeter Plan is to remain in effect unless the Board of Supervisors 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 shall receive a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year.

The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency.

In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

So long as the Teeter Plan remains in effect with respect to the District, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County.

Largest Taxpayers

The table below lists the top twenty secured taxpayers within the District for 2010-11, which account for 8.39%of District's local secured assessed valuation.

TABLE 4
CAMPBELL UNION HIGH SCHOOL DISTRICT
Twenty Largest Local Secured Property Taxpayers
Fiscal Year 2010-11

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% of Total (1)
1.	VF Mall LLC	Shopping Center/Mall	$ 456,412,378	1.50%
2.	FRIT San Jose Town & Country Village LLC	Shopping Center/Mall	345,693,406	1.14
3.	Blackhawk Parent LLC	Shopping Center/Mall	201,971,379	0.67
4.	Hercules Holding II LLC	Hospital	180,030,482	0.59
5.	Sobrato Land Holdings	Apartments	173,250,105	0.57
6.	Xilinx Inc.	Manufacturing	136,774,188	0.45
7.	Terramar Retail Centers LLC	Shopping Center/Mall	113,999,180	0.38
8.	FR Westgate Mall LLC	Shopping Center/Mall	107,068,487	0.35
9.	Grosvenor International	Shopping Center/Mall	95,494,075	0.31
10.	Tishman Speyer Archstone-Smith	Apartments	92,833,500	0.31
11.	San Jose Water Works	Water Company	87,326,248	0.29
12.	Southwest Expressway Invrs. Ltd.	Apartments	76,939,885	0.25
13.	Campbell Technology Pk LLC	Industrial	72,032,018	0.24
14.	Hines VAF No. Cal Properties LP	Industrial	70,683,320	0.23
15.	Ebay Realty Trust	Office Building	66,000,000	0.22
16.	Legacy III Campbell LLC	Office Building	63,200,000	0.21
17.	Fund X PY Campbell LLC	Apartments	53,583,813	0.18
18.	Marc W. Buzolich	Commercial	53,154,761	0.18
19.	Kimberly Woods Apartments LLC	Apartments	50,924,728	0.17
20.	Bay Apartment Communities Inc.	Apartments	48,506,513	0.16
			$2,545,878,466	8.39%

(1) 2010-11 Local Secured Assessed Valuation: $30,359,192,921.
Source: California Municipal Statistics, Inc.

Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated October 1, 2010. 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.

Table 5
CAMPBELL UNION HIGH SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of October 1, 2010

2010-11 Assessed Valuation:	$31,231,542,425
Redevelopment Incremental Valuation:	614,671,641
Adjusted Assessed Valuation:	$30,616,870,784

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/10	
Santa Clara County	11.540%	$ 38,647,460	
Santa Clara Valley Water District, Zone W-1	14.116	128,456	
West Valley-Mission Community College District	43.306	92,263,150	
Campbell Union High School District	**100.**	**132,315,000**	(1)
Burbank School District	100.	8,713,104	
Cambrian School District	100.	18,759,944	
Campbell Union School District	100.	119,646,120	
Moreland School District	100.	71,683,662	
Union School District	100.	72,645,524	
City of San Jose	18.679	89,718,973	
City of Saratoga	17.228	2,171,589	
Santa Clara Valley Water District Benefit Assessment District	11.540	17,591,576	
City of Campbell 1915 Act Bonds	100.	85,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$664,369,558	
OVERLAPPING GENERAL FUND DEBT:			
Santa Clara County General Fund Obligations	11.540%	$ 94,625,115	
Santa Clara County Pension Obligations	11.540	44,547,264	
Santa Clara County Board of Education Certificates of Participation	11.540	1,567,132	
West Valley-Mission Community College District General Fund Obligations	43.306	24,303,327	
Burbank School District General Fund Obligations	100.	2,152,408	
City of Campbell Certificates of Participation	100.	19,955,843	
City of San Jose General Fund Obligations	18.679	145,695,850	
Other City General Fund Obligations	Various	9,700,294	
Midpeninsula Regional Open Space Park District General Fund Obligations	2.836	3,133,866	
Santa Clara County Vector Control District Certificates of Participation	11.540	457,561	
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$346,138,660	
Less: City of San Jose self-supporting obligations		25,740,596	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$320,398,064	
GROSS COMBINED TOTAL DEBT		$1,010,508,218	(2)
NET COMBINED TOTAL DEBT		$984,767,622	

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

Ratios to 2010-11 Assessed Valuation:
Direct Debt ($132,315,000) 0.42%
Total Direct and Overlapping Tax and Assessment Debt 2.13%

Ratios to Adjusted Assessed Valuation:
Gross Combined Total Debt 3.30%
Net Combined Total Debt..3.22%

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

Source: California Municipal Statistics, Inc.

CONTINUING DISCLOSURE

The District has covenanted, for the benefit of holders and beneficial owners of the Series C Bonds to provide certain financial information and operating data (an **"Annual Report"**) relating to the District to the Municipal Securities Rulemaking Board (the **"MSRB"**) not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2011 with the report for the 2009-10 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The notices of material events will be filed by the District with the MSRB. The specific nature of the information to be contained in an Annual Report or the notices of material events is set forth below under the caption "APPENDIX E - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

The District has prior undertakings pursuant to the Rule, and in connection with those undertakings, has failed to make its annual filings in a timely manner. The District has subsequently made all such filings, and will implement procedures to ensure that future filings under the Rule will be made when and as required by its prior undertakings, as well as pursuant to the Continuing Disclosure Certificate relating to the Series C Bonds.

LEGAL MATTERS

Tax Exemption

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series C Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The opinion set forth in the preceding paragraph is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 (the **"Tax Code"**) that must be satisfied subsequent to the issuance of the Series C Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series C Bonds.

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

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

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the bond (said term being the shorter of the bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a bond is amortized each year over the term to maturity of the bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such bonds.

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

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

Legal Opinion

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, approving the validity of the Series C Bonds, will be provided in the form attached to this Official Statement as Appendix C.

Bond Counsel's employment is limited to a review of the legal proceedings required for authorization of the Series C Bonds and to rendering opinions as to the validity of the Series C Bonds and the exclusion from gross income for federal income tax purposes of interest on the Series C Bonds. The opinion of Bond Counsel will not consider or extend to any documents, agreements, representations, offering circular, or other material of any kind concerning the Series C Bonds.

Jones Hall, A Professional Law Corporation, San Francisco, California, is also acting as Disclosure Counsel. Certain matters will be passed upon for the Underwriter by its counsel, Fulbright & Jaworski L.L.P., Los Angeles, California (**"Underwriter's Counsel"**). Fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent on the issuance of the Series C Bonds.

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Series C Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Series C Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Series C Bonds.

RATINGS

Moody's Investors Services (**"Moody's"**) and Fitch, Inc., doing business as Fitch Ratings (**"Fitch"**) have assigned ratings of "Aa2" and "AA+," respectively, to the Series C Bonds. Such ratings reflect only the view of these respective organizations and an explanation of the significance of such ratings may be obtained from such rating agencies. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by a rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series C Bonds. The District has no obligation to maintain any rating for the Series C Bonds.

UNDERWRITING

The Series C Bonds were sold to Morgan Stanley & Co. Incorporated (the "Underwriter"), pursuant to a bond purchase agreement for the Series C Bonds. The Underwriter has agreed to purchase the Series C Bonds at a price of $36,360,445.90, consisting of the $35,000,000.00 principal amount of the Series C Bonds, plus net original issue premium of $1,775,952.45, less an Underwriter's discount of $230,506.55, and less $185,000.00 to be used to pay costs of issuance.

The Underwriter intends to offer the Series C Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

FINANCIAL ADVISOR

Northcross, Hill & Ach, Inc. of San Rafael, California, served as financial advisor (the **"Financial Advisor"**) to the District with respect to the sale of the Series C Bonds. The Financial Advisor assisted the District in matters relating to the planning, structuring, and sale of the Series C Bonds and preparation of this Official Statement and will receive compensation contingent upon the sale and delivery of the Series C Bonds. The Financial Advisor provides financial advisory services and does not engage in the underwriting, marketing, or trading of municipal securities or other negotiable instruments.

MISCELLANEOUS

Additional information may be obtained from the District by contacting the Campbell Union High School District, 3235 Union Avenue, San Jose, California 95124-2096, Attention: Superintendent or by contacting the Financial Advisor in San Rafael, California.

At the time of delivery and payment for the Series C Bonds, an authorized representative of the District will deliver a certificate stating that to the best of his or her knowledge this Official Statement, excluding therefrom information regarding the Book-Entry System, DTC, and bond insurance, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

Such certificate will also certify that to the best of his or her knowledge from the date of this Official Statement to the date of such delivery and payment there was no material adverse change in the information set forth herein.

CAMPBELL UNION HIGH SCHOOL DISTRICT

By: /s/ *Rhonda E. Farber, Ph.D.*
Superintendent

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2008-09

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CAMPBELL UNION HIGH SCHOOL DISTRICT

COUNTY OF SANTA CLARA

SAN JOSE, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2009

AND

INDEPENDENT AUDITOR'S REPORT

PERRY-SMITH
THE POWER OF CONFIDENCE

CAMPBELL UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2009

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CAMPBELL UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2009

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PERRY-SMITH
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916.441.1000

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Campbell Union High School District
San Jose, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Campbell Union High School District, as of and for the year ended June 30, 2009, which collectively comprise Campbell Union High School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Campbell Union High School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2009 on our consideration of Campbell Union High School District's internal control over financial reporting and 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 or internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise Campbell Union High School District's basic financial statements. The accompanying financial and statistical information listed in the Table of Contents, including the Schedule of Expenditure of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Campbell Union High School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Perry-Smith LLP

Sacramento, California
December 10, 2009

The Management's Discussion and Analysis section of the audit report provides Management's overall view of the District's financial condition and serves as a vehicle to convey important fiscal issues to the Board and the public.

REPORTING OVERVIEW

The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets* reports summary financial information as of June 30, 2009. The *Statement of Activities* summarizes changes which have occurred in the past fiscal year. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

In the *Statement of Net Assets* and the *Statement of Activities*, activities are separated as follows:

Governmental activities - Most of the District's services are reported in this category. This includes the education of grade nine through grade twelve students, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

Business-type activities - The District has no business-type activities.

FINANCIAL HIGHLIGTS FISCAL YEAR 2008-2009

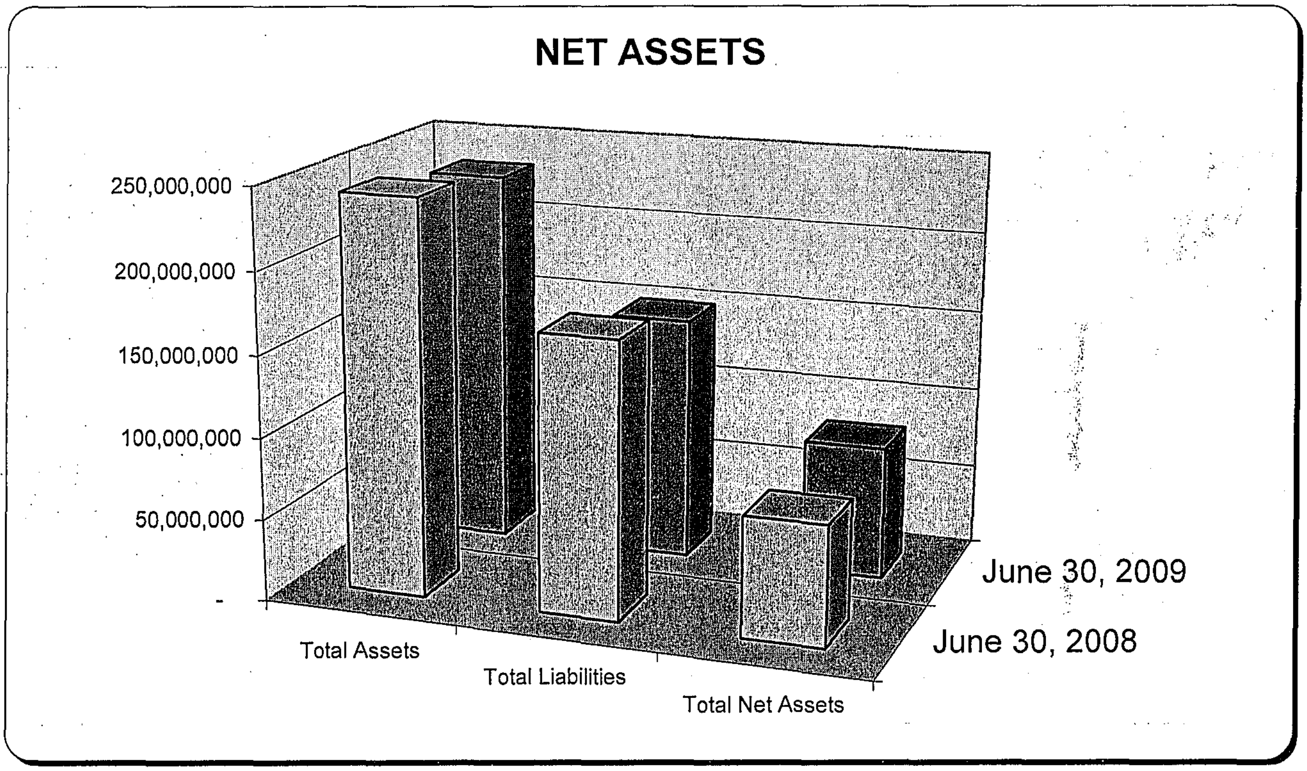
DISTRICT ASSETS

Net Assets

The District's net assets were $81,775,408 at the end of the Fiscal year 2008-2009 which ended June 30, 2009. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	June 30, 2008	June 30, 2009
Current and other assets	$ 110,718,504	$ 84,864,400
Capital Assets	131,609,831	147,338,507
Total Assets	***242,328,335***	***232,202,907***
Current liabilities	24,736,429	9,821,425
Long-term debt	144,190,129	140,606,074
Total Liabilities	***168,926,558***	***150,427,499***
Net Assets		
Invested in capital assets net of related debt	40,134,024	44,119,912
Restricted	29,525,445	30,582,969
Unrestricted	3,570,308	7,072,527
Total Net Assets	***$ 73,401,777***	***$ 81,775,408***

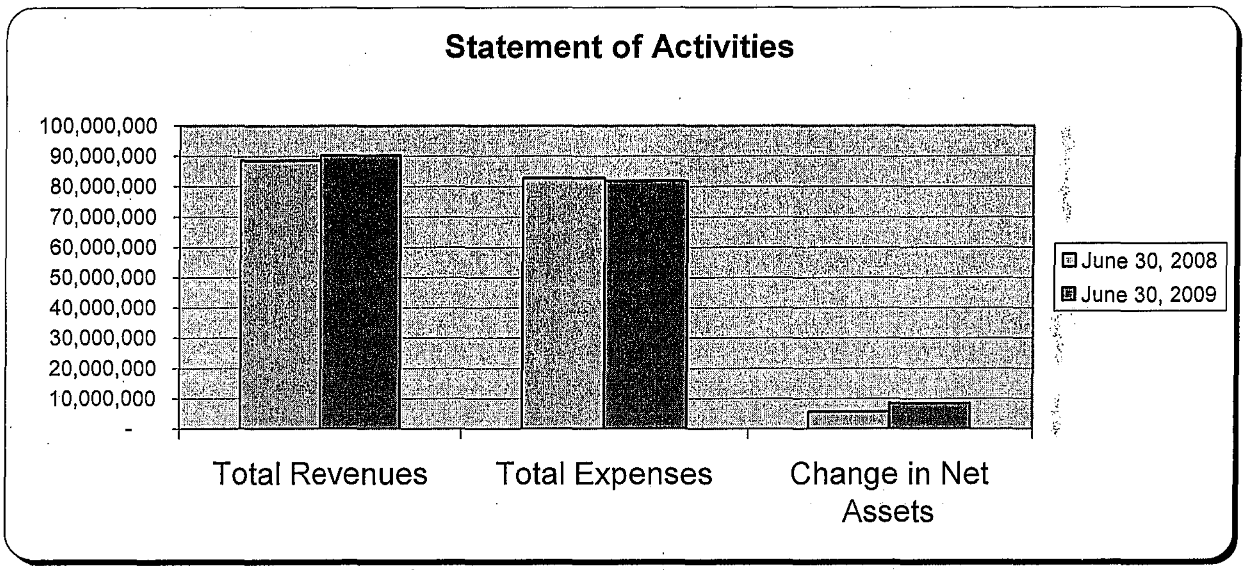


Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 is representative of this report. Net Assets have increased $8,373,631.

Table 2

Revenues	**June 30, 2008**	**June 30, 2009**
Charges for services	$ 915,897	$ 633,086
Operating grants & contributions	17,656,534	15,792,020
Capital grants and contributions	233,655	57,029
General revenues:		
Property taxes	65,781,038	69,756,532
Other general revenues	3,927,216	3,975,920
Total Revenues	**88,514,340**	**90,214,587**
Expenses		
Instructional related	51,533,701	53,318,772
Student support services	5,678,224	5,674,072
Administration	4,710,281	5,259,949
Maintenance and operations	8,295,560	7,107,998
Other	12,625,881	10,480,165
Total Expenses	**82,843,647**	**81,840,956**
Change in Net Assets	$ 5,670,693	$ 8,373,631

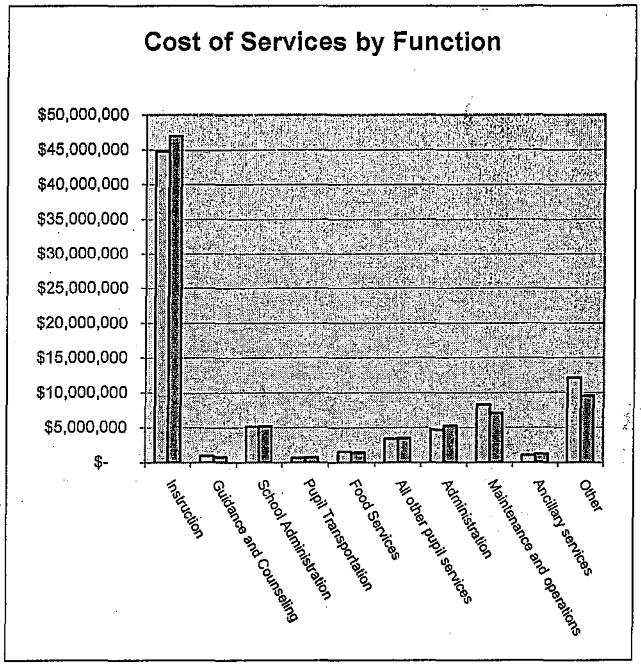


The total cost of all our governmental activities this year was $81,840,956. The District's expenses are predominantly related to educating and caring for students (78%). Purely administrative activities of the District accounted for just 10.2% of total costs. District revenues surpassed expenses, increasing net assets by $8,373,631.

In Table 3, we have presented the District's ten largest functions by cost - regular program instruction, guidance and counseling, school administration, student transportation services, school food services, district administration, maintenance and operations, ancillary services, and others. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3
Cost Service by Function

	June 30, 08	June 30, 09
Instruction	$44,798,793	$46,957,282
Guidance and Counseling	974,527	810,782
School Administration	5,148,041	5,208,571
Pupil Transportation	697,055	764,962
Food Services	1,574,122	1,409,711
All other pupil services	3,407,047	3,499,399
Administration	4,710,281	5,259,949
Maintenance and operations	8,295,560	7,107,998
Ancillary services	1,071,045	1,306,160
Other	12,167,176	9,516,142
Totals:	$82,843,647	$81,840,956



DISTRICT FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $73,384,835 which is a net decrease of $11,353,235 year over year.

General Fund Budgetary Highlights

The General Fund accounts are for the primary operations of the District. The District's initial budget is adopted by July 1. Over the course of the year, the District's budget is revised several times to take into account revised and new categorical funding appropriations and related expenditures, and to update budgets for prior year carryover amounts. The following table summarizes the general fund budget to actual information for the year ended June 30, 2009.

	Adopted Budget	Year-End Budget	Actual	Variance Year End to Actual
Total Revenues	$ 69,049,504	$ 74,580,611	$ 72,224,880	$ (2,355,731)
Total Expenditures	$ 67,549,428	$ 67,040,663	$ 67,393,134	$ (352,471)
Total Other Uses	$ 1,336,277	$ 637,310	$ (594,433)	$ (1,231,743)

The budgets to actual differences were a result of a variety of normal fluctuations.

CAPITAL ASSET & DEBT ADMINISTRATION

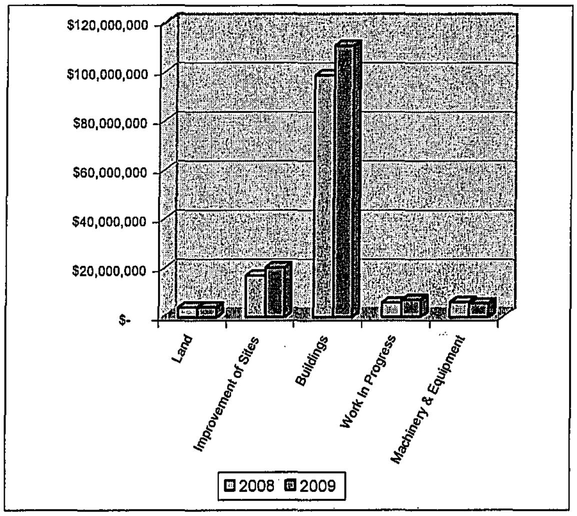
Capital Assets

At June 30, 2009, the District had $147,338,507 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions and depreciation) of $15,728,676 year over year.

Table 4

Capital Assets at Year End (Net of Depreciation)

	2008	2009
Land	$ 4,037,160	$ 4,037,160
Improvement of Sites	16,991,984	20,234,930
Buildings	98,545,478	110,544,395
Work In Progress	5,858,159	6,905,898
Machinery & Equipment	6,177,050	5,616,124
Total	**$ 131,609,831**	**$ 147,338,507**



Long-Term Liabilities

At the end of this year, the District had $139,915,000 in General Obligation Bonds outstanding versus $143,980,000 outstanding last year. Liability reduction is due to refunding of previous bonds and normal principal debt payments.

Long-term Debt at Year End

	2008	2009
General Obligation Bonds	$ 143,980,000	$ 139,915,000
Compensated Absences	210,129	245,821
Other postemployment benfits	-	445,253
Total	**$ 144,190,129**	**$ 140,606,074**

The District's general obligation bond rating continues to be "Aaa" (Moody's) "AAA" (Standard and Poor's) – FSA Insured. The State limits the amount of general obligation debt that District's can issue to 5 percent of the assessed value of all taxable property within the District's boundaries.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2008-2009 ARE NOTED BELOW:

Project Location and Description	Investment
Del Mar - Program Management	$ 59,103
Del Mar - Modernization of Large & Small Gyms	1,533,593
Del Mar - Performing Arts Center	461,362
Del Mar - Interim Housing	77,023
Del Mar - Modernization of Locker Rooms & Lobbies	319,410
Del Mar - Modernization of Library	3,880
Del Mar - Modernization of Cafeteria	17,106
Leigh - Program Management	59,103
Leigh-School Modernization	5,159
Leigh - Modernization of Large & Small Gyms	1,251,263
Leigh - Performing Arts Center	467,058
Leigh - Interim Housing	22,077
Leigh - Modernization of Locker Rooms & Lobbies	367,154
Leigh - Modernization of Library	2,733
Leigh - Modernization of Cafeteria	15,355
Leigh - Science	175
Westmont - Program Management	59,103
Westmont - School Modernization	4,903
Westmont - Modernization of Large & Small Gyms	1,859,503
Westmont - Performing Arts Center	952,268
Westmont - Interim Housing	76,702
Westmont - Modernization of Locker Rooms & Lobbies	361,620
Westmont - Modernization of Library	4,065
Westmont - Modernization of Cafeteria	16,978
Westmont - Science	175
NON SITE DISTRIBUTION	-
Branham- Program Management	59,103
Branham-School Modernization	4,473
Branham - Modernization of Large & Small Gyms	1,552,776
Branham - Performing Arts Center	440,137
Branham - Tennis Court Relocation	125,394
Branham - Interim Housing	81,697
Branham - Modernization of Locker Rooms & Lobbies	356,353
Branham - Modernization of Cafeteria	15,985
Branham - Science	175
Prospect - Program Management	59,103
Prospect-School Modernization	4,633
Prospect - Modernization of Large & Small Gyms	1,458,212
Prospect - Performing Arts Center	832,707
Prospect - Artificial Turf Field	2,688,964
Prospect - Interim Housing	85,072
Prospect - Modernization of Locker Rooms & Lobbies	325,869
Prospect - Modernization of Cafeteria	16,045
Del Mar-Metro Ed	1,726,927
Total	$ 17,830,496

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2009-10 Fiscal Year, the District Board and management used the following assumptions:

1. Slight ADA decline likely due to Charter School.
2. Revenue Limit funding was calculated with a 1.15% property tax decline estimate.
3. Property Tax forecasts and Revenue Limit Estimates indicate maintenance of Basic Aid status.
4. Developer fee collections are based on approximate new housing units to be constructed.
5. Federal income is expected to remain flat.
6. State categorical income is expected to decrease.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Deputy Superintendent at Campbell Union High School District, San Jose, California, 95124, or e-mail pgaffney@.cuhsd.org

BASIC FINANCIAL STATEMENTS

CAMPBELL UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2009

		Governmental Activities
ASSETS		
Cash and investments (Note 2)	$	79,177,120
Accounts receivable		5,587,257
Prepaid expenditures		22,615
Stores inventory		77,408
Capital assets, net of accumulated depreciation (Note 4)		147,338,507
Total assets		232,202,907
LIABILITIES		
Accounts payable		7,811,751
Deferred revenue		15,429
Unpaid claims and claim adjustment expenses (Note 5)		1,994,245
Long-term liabilities (Note 6):		
Due within one year		3,765,821
Due after one year		136,840,253
Total liabilities		150,427,499
NET ASSETS		
Invested in capital assets, net of related debt		44,119,912
Restricted (Note 7)		30,582,969
Unrestricted		7,072,527
Total net assets	$	81,775,408

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities (Note 4):					
Instruction	$ 46,957,282	$ 110,615	$ 9,618,113	$ 57,029	$ (37,171,525)
Instruction-related services:					
Supervision of instruction	810,782	1	145,203		(665,578)
Instructional library, media and technology	342,137				(342,137)
School site administration	5,208,571	596	73,006		(5,134,969)
Pupil services:					
Home-to-school transportation	764,962		269,475		(495,487)
Food services	1,409,711	488,726	2,208,618		1,287,633
All other pupil services	3,499,399	693	712,026		(2,786,680)
General administration:					
Data processing	786,093				(786,093)
All other general administration	4,473,856	32,107	112,232		(4,329,517)
Plant services	7,107,998	273	289,824		(6,817,901)
Ancillary services	1,306,160	75	34,422		(1,271,663)
Interest on long-term liabilities	6,566,171				(6,566,171)
Other outgo	2,607,834		2,329,101		(278,733)
Total governmental activities	$ 81,840,956	$ 633,086	$ 15,792,020	$ 57,029	(65,358,821)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					54,836,949
Taxes levied for debt service					9,973,020
Taxes levied for other specific purposes					4,946,563
Federal and state aid not restricted to specific purposes					1,868,097
Interest and investment earnings					1,120,529
Miscellaneous					987,294
Total general revenues					73,732,452
Change in net assets					8,373,631
Net assets, July 1, 2008					73,401,777
Net assets, June 30, 2009					$ 81,775,408

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION HIGH SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2009

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	$ 13,777,707	$ 35,678,182	$ 7,175,212	$ 13,296,718	$ 69,927,819
Cash awaiting deposit	1,731				1,731
Cash on hand and in banks				76,608	76,608
Cash in revolving fund	4,000			800	4,800
Investments		2,383,766			2,383,766
Accounts receivable	4,862,429	301,803	11,543	383,418	5,559,193
Prepaid expenditures	22,615				22,615
Due from other funds	43,451			917,792	961,243
Stores inventory	43,117			34,291	77,408
Total assets	$ 18,755,050	$ 38,363,751	$ 7,186,755	$ 14,709,627	$ 79,015,183
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 2,091,245	$ 1,667,346		$ 820,085	$ 4,578,676
Deferred revenue	15,429				15,429
Due to other funds	1,035,803			440	1,036,243
Total liabilities	3,142,477	1,667,346		820,525	5,630,348
Fund balances	15,612,573	36,696,405	$ 7,186,755	13,889,102	73,384,835
Total liabilities and fund balances	$ 18,755,050	$ 38,363,751	$ 7,186,755	$ 14,709,627	$ 79,015,183

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2009

Total fund balances - Governmental Funds		$ 73,384,835
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $192,554,399 and the accumulated depreciation is $45,215,892 (Note 4).		147,338,507
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2009 consisted of (Note 6):		
General Obligation Bonds	$ (139,915,000)	
Compensated absences	(245,821)	
Post-retirement employee benefits	(445,253)	
		(140,606,074)
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.		(3,188,214)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net assets for the Self-Insurance Fund are:		4,846,354
Total net assets - governmental activities		$ 81,775,408

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION HIGH SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2009

	General Fund	Building Fund	Bond Interest and Redemption Fund	Total Non-Major Funds	Governmental Funds
Revenues:					
Revenue limit sources:					
State apportionment	$ (301,319)			$ 165,079	$ (136,240)
Local sources	54,235,121				54,235,121
Total revenue limit	53,933,802			165,079	54,098,881
Federal sources	3,709,151			353,692	4,062,843
Other state sources	6,279,179		$ 80,695	2,732,092	9,091,966
Other local sources	8,302,748	$ 4,025,070	10,019,063	3,009,364	25,356,245
Total revenues	72,224,880	4,025,070	10,099,758	6,260,227	92,609,935
Expenditures:					
Certificated salaries	32,660,649				32,660,649
Classified salaries	8,626,056			598,480	9,224,536
Employee benefits	12,990,512			260,946	13,251,458
Books and supplies	2,236,502	847		809,561	3,046,910
Contract services and operating expenditures	8,204,585	630,453		2,831,053	11,666,091
Capital outlay	92,386	17,892,671		2,651,979	20,637,036
Other outgo	2,582,444				2,582,444
Debt service:					
Principal retirement		29,955,000	3,350,000		33,305,000
Interest		593,887	6,160,159		6,754,046
Total expenditures	67,393,134	49,072,858	9,510,159	7,152,019	133,128,170
Excess (deficiency) of revenues over (under) expenditures	4,831,746	(45,047,788)	589,599	(891,792)	(40,518,235)
Other financing sources (uses):					
Operating transfers in				519,433	519,433
Operating transfers out	(594,433)				(594,433)
Proceeds from the issuance of long-term liabilities		29,240,000			29,240,000
Total other financing sources (uses)	(594,433)	29,240,000		519,433	29,165,000
Net change in fund balances	4,237,313	(15,807,788)	589,599	(372,359)	(11,353,235)
Fund balances, July 1, 2008	11,375,260	52,504,193	6,597,156	14,261,461	84,738,070
Fund balances, June 30, 2009	$ 15,612,573	$ 36,696,405	$ 7,186,755	$ 13,889,102	$ 73,384,835

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

Net change in fund balances - Total Governmental Funds		$ (11,353,235)
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net assets (Note 4).	$ 20,658,472	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(4,929,796)	
In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. Unmatured interest owing at the end of the period less matured interest paid during the period but owing from the prior period, was:	(868,043)	
In governmental funds, proceeds from debt are recognized as other financing sources. In the governmental-wide statements proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were (Note 6):	(29,240,000)	
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Change in net assets for the Self-Insurance Fund was:	1,282,178	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 6).	33,305,000	
In governmental funds, other postemployment benefits are recognized when employers contributions are made. In the government-wide statements, other postemployment benefits are recognized on the accrual basis (Notes 6 and 9).	(445,253)	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	(35,692)	19,726,866
Change in net assets of governmental activities		$ 8,373,631

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION HIGH SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL

MAJOR FUND - GENERAL FUND

For the Year Ended June 30, 2009

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Revenue limit sources:				
State apportionment		$ 533,913	$ (301,319)	$ (835,232)
Local sources	$ 54,592,149	54,466,730	54,235,121	(231,609)
Total revenue limit	54,592,149	55,000,643	53,933,802	(1,066,841)
Federal sources	2,093,372	3,699,789	3,709,151	9,362
Other state sources	4,914,428	7,566,842	6,279,179	(1,287,663)
Other local sources	7,449,555	8,313,337	8,302,748	(10,589)
Total revenues	69,049,504	74,580,611	72,224,880	(2,355,731)
Expenditures:				
Certificated salaries	33,579,324	32,617,684	32,660,649	(42,965)
Classified salaries	8,816,810	8,638,792	8,626,056	12,736
Employee benefits	12,235,569	12,703,100	12,990,512	(287,412)
Books and supplies	2,920,094	2,246,462	2,236,502	9,960
Contract services and operating expenditures	9,755,131	8,163,563	8,204,585	(41,022)
Capital outlay	242,500	92,386	92,386	
Other outgo		2,578,676	2,582,444	(3,768)
Total expenditures	67,549,428	67,040,663	67,393,134	(352,471)
Excess of revenues over expenditures	1,500,076	7,539,948	4,831,746	(2,708,202)
Other financing sources (uses):				
Operating transfers in	1,336,277	637,310		(637,310)
Operating transfers out			(594,433)	(594,433)
Total other financing sources (uses)	1,336,277	637,310	(594,433)	(1,231,743)
Net change in fund balance	2,836,353	8,177,258	4,237,313	(3,939,945)
Fund balance, July 1, 2008	11,375,260	11,375,260	11,375,260	
Fund balance, June 30, 2009	$ 14,211,613	$ 19,552,518	$ 15,612,573	$ (3,939,945)

The accompanying notes are an integral
part of these financial statements.

CAMPBELL UNION HIGH SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND

SELF-INSURANCE FUND

June 30, 2009

ASSETS	
Cash in County Treasury	$ 5,739,145
Cash on hand and in banks	99,936
Investments	943,315
Accounts receivable	28,064
Due from other funds	75,000
Total assets	6,885,460
LIABILITIES	
Accounts payable	44,861
Unpaid claims and claim adjustment expenses	1,994,245
Total liabilities	2,039,106
NET ASSETS	
Restricted	$ 4,846,354

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION HIGH SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2009

Operating revenues:	
Self-insurance premiums	$ 1,610,665
Operating expenses:	
Books and supplies	8,966
Contract services	579,844
Total operating expenses	588,810
Operating income	1,021,855
Non-operating revenues:	
Interest income	145,371
Net increase in fair value of investments	39,952
Operating transfers in	75,000
Total non-operating revenues	260,323
Change in net assets	1,282,178
Net assets, July 1, 2008	3,564,176
Net assets, June 30, 2009	$ 4,846,354

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION HIGH SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2009

Cash flows from operating activities:	
Cash received from self-insurance premiums	$ 1,625,403
Cash paid for employee benefits	(886,207)
Cash paid to suppliers	(665,034)
Net cash provided by operating activities	74,162
Cash flows provided by investing activities:	
Interest income received	226,112
Increase in cash and cash equivalents	300,274
Cash and cash equivalents, July 1, 2008	5,538,807
Cash and cash equivalents, June 30, 2009	$ 5,839,081
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 1,021,855
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in:	
Due from other funds	(60,262)
Accounts payable	(656,068)
Unpaid claims and claim adjustment expenses	(306,363)
Increase in:	
Operating transfers in	75,000
Total adjustments	(947,693)
Net cash provided by operating activities	$ 74,162

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION HIGH SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

TRUST AND AGENCY FUNDS

June 30, 2009

	Trust Fund	Agency Funds	
	Scholarship	Student Body	Total
ASSETS			
Cash on hand and in banks (Note 2)	$ 99,362	$ 967,572	$ 1,066,934
LIABILITIES			
Due to student groups		967,572	967,572
NET ASSETS			
Restricted (Note 7)	$ 99,362	$ -	$ 99,362

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION HIGH SCHOOL DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS

TRUST FUND

For the Year Ended June 30, 2009

	Scholarship
Scholarships	$ 4,258
Net assets, July 1, 2008	95,104
Net assets, June 30, 2009	$ 99,362

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Campbell Union High School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual.* The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

Reporting Entity

The Board of Trustees is the level of government which has governance responsibilities over all activities related to public school education in the Campbell Union High School District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District receives funding from local, state and federal governmental sources and must comply with all the requirements of these funding source entities.

Basis of Presentation - Financial Statements

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a change in the fund financial statements to focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets and the Statement of Change in Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements (Continued)

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting

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

A - Governmental Fund Types

1 - General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and capital improvement costs that are not paid through other funds are paid from the General Fund.

2 - Special Revenue Funds:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Adult Education, Cafeteria and Deferred Maintenance Funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

3 - Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition or construction of capital facilities and equipment by the District. This classification includes the Building, Capital Facilities, Special Reserve and County School Facilities Funds.

4 - Debt Service Fund:

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs. This classification includes the Bond Interest and Redemption Fund.

B - Proprietary Fund Type

1 - Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund which is used to account for the District's self-insured property and liability claims, workers' compensation claims and dental insurance claims.

C - Fiduciary Fund Types

1 - Trust Fund:

The Scholarship Fund is a trust fund which is used to account for scholarship monies, for which the District acts as trustee.

2 - Agency Funds:

The Agency Funds are used to account for the assets of others for which the District acts as an agent. The District maintains five agency funds, one for each school's student body organization.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual

Governmental activities in the government-wide financial statements, the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting

By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees complied with these requirements.

The District employs budgetary control by major object code and by individual appropriation account. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Trustees to provide for unanticipated revenues and expenditures. The originally adopted and final revised budgets are presented in the basic financial statements for the General Fund.

Stores Inventory

Inventories in the General and Cafeteria Funds consist mainly of consumable supplies, and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to the schools and offices.

Capital Assets

Capital assets purchased or acquired, with an original cost of $5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

Compensated Absences

Compensated absences benefits in the amount of $245,821 are recorded as a liability of the District. The liability is for the earned but unused benefits.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure 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 for certain STRS and PERS employees when the employee retires.

Deferred Revenue

Revenue from federal, state and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as deferred revenue until earned.

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriable for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund, prepaid expenditures and stores inventory reflect the portion of net assets represented by revolving fund cash, prepaid expenditures and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restriction for special revenues represents the portion of net assets restricted for special purposes. The restriction for capital projects represents the portion of net assets restricted for capital outlay. The restriction for debt retirement represents the portion of net assets available for the retirement of long-term liabilities. The restriction for self-insurance represents the portion of net assets restricted for the payment of insurance. The restriction for scholarships represents the portion of net assets restricted for the payment of scholarships.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Santa Clara bills and collects taxes for the District. Tax revenues are recognized by the District when received.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2009 consisted of the following:

	Governmental Activities			
	Governmental Funds	Proprietary Fund	Total	Fiduciary Activities
Pooled Funds:				
Cash in County Treasury	$ 69,927,819	$ 5,739,145	$ 75,666,964	
Cash awaiting deposit	1,731		1,731	
Deposits:				
Cash on hand and in banks	76,608	99,936	176,544	$ 1,066,934
Cash in revolving fund	4,800		4,800	
Investments - Mutual Funds	2,383,766	943,315	3,327,081	
Total	$ 72,394,724	$ 6,782,396	$ 79,177,120	$ 1,066,934

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Clara County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

2. CASH AND INVESTMENTS (Continued)

Pooled Funds (Continued)

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Santa Clara County Treasurer may invest in derivative securities. However, at June 30, 2009, the Santa Clara County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

Cash balances held in banks and revolving funds are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2009, the carrying amounts of the District's accounts were $1,248,278, and the bank balances were $1,338,408. Of the bank balances, $492,484 was insured by the FDIC.

Investments - Mutual Funds

For investments held by a broker who is a member of the Securities and Investor Protection Corporation (SIPC), the cash is insured up to $500,000. At June 30, 2009, the carrying amounts and bank balances of the District's accounts were $3,327,081. Of the bank balances, $500,000 was insured by the SIPC and $2,827,081 was uninsured but collateralized.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2009, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2009, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2009 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 43,451	$ 1,035,803
Non-Major Funds:		
Adult Education	53,676	
Cafeteria	539,906	440
Deferred Maintenance Fund	324,210	
Proprietary Fund:		
Self-Insurance	75,000	
	$ 1,036,243	$ 1,036,243

Interfund Transfers

Interfund transfers for the 2008-2009 fiscal year were as follows:

Transfer from the General Fund to the Self-Insurance Fund to meet reserve requirement.	$ 75,000
Transfer from the General Fund to the Cafeteria Fund for meals for the needy and a contribution.	195,223
Transfer from the General Fund to the Deferred Maintenance Fund for the required State match.	324,210
	$ 594,433

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2009 is shown below:

	Balance July 1, 2008	Additions	Deductions	Transfers	Balance June 30, 2009
Land	$ 4,037,160				$ 4,037,160
Work-in-process	5,858,159	$ 8,178,023		$ (7,130,284)	6,905,898
Improvement of sites	21,048,624	881,053		3,315,263	25,244,940
Buildings	131,977,489	11,262,172		3,815,021	147,054,682
Equipment	8,974,495	337,224			9,311,719
Totals, at cost	171,895,927	20,658,472			192,554,399
Less accumulated depreciation:					
Improvement of sites	(4,056,640)	(953,370)			(5,010,010)
Buildings	(33,432,011)	(3,078,276)			(36,510,287)
Equipment	(2,797,445)	(898,150)			(3,695,595)
Total accumulated depreciation	(40,286,096)	(4,929,796)			(45,215,892)
Capital assets, net	$ 131,609,831	$ 15,728,676	$ -	$ -	$ 147,338,507

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 4,433,776
All other general administration	496,020
Total depreciation expense	$ 4,929,796

5. SELF-INSURANCE

The District is self-insured for property and liability, workers' compensation and dental claims. The District has established a separate Self-Insurance Fund for accounting and reporting purposes. For the year ended June 30, 2009, the District provides coverage up to a maximum of $350,000 for each workers' compensation claim, $60,000 for each property claim and $25,000 for each general liability claim. The District purchases commercial insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The claims liability of $2,250,608 at June 30, 2009 was actuarially determined based on the requirements of Governmental Accounting Standards Board Statement No. 10. This liability was reported at present value using an expected future investment yield assumption of 2.0% and 5.0% for the workers' compensation and property and liability programs, respectively.

5. SELF-INSURANCE (Continued)

Changes in the District's claims liability amount for the year ended June 30, 2009 was as follows:

	Claims Liability July 1	Incurred Claims	Claims Payments	Claims Liability June 30
2006/2007	$ 2,017,800	$ 632,622	$ 593,607	$ 2,056,815
2007/2008	$ 2,056,815	$ 1,963,053	$ 1,769,260	$ 2,250,608
2008/2009	$ 2,250,608	$ 567,417	$ 873,780	$ 1,944,245

6. LONG-TERM LIABILITIES

General Obligation Bonds

On May 20, 2009, the District issued a Series 2009 General Obligation Refunding Bonds, in the aggregate principal amount of $29,240,000, for the purpose of refunding an outstanding issue of General Obligation Bonds Election 1999, Series 2001. Repayment of the bonds is made from special parcel (valorem) tax revenues levied in connection with this bond issue. The bonds bear interest at rates ranging from 3.50% to 5.25% and are scheduled to mature through 2030, as follows:

Year Ended June 30,	Principal	Interest	Total
2010		$ 891,395	$ 891,395
2011	$ 675,000	1,375,688	2,050,688
2012	900,000	1,344,188	2,244,188
2013	940,000	1,307,388	2,247,388
2014	980,000	1,268,988	2,248,988
2015-2019	5,590,000	5,646,615	11,236,615
2020-2024	6,935,000	4,302,996	11,237,996
2025-2029	8,955,000	2,269,138	11,224,138
2030	4,265,000	215,625	4,480,625
	$ 29,240,000	$ 18,622,021	$ 47,862,021

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

On March 20, 2008, the District issued a Series 2006 General Obligation Bonds, Series B totaling $30,000,000. Bond proceeds are being spent on renovating older classrooms, improving access for disabled students and teachers, modernizing libraries and homework centers, enhancing computer learning technology and improving facilities. Repayment of the bonds is made from special parcel (valorem) tax revenues levied in connection with this bond issue. The bonds bear interest at rates ranging from 4.13% to 5.25% and are scheduled to mature through 2039, as follows:

Year Ended June 30,	Principal	Interest	Total
2010	$ 245,000	$ 1,642,704	$ 1,887,704
2011	500,000	1,389,108	1,889,108
2012	525,000	1,368,484	1,893,484
2013	555,000	1,342,233	1,897,233
2014	580,000	1,314,483	1,894,483
2015-2019	3,375,000	6,124,105	9,499,105
2020-2024	4,190,000	5,315,875	9,505,875
2025-2029	5,200,000	4,336,877	9,536,877
2030-2034	6,545,000	3,030,394	9,575,394
2035-2039	8,285,000	1,282,250	9,567,250
	$ 30,000,000	$ 27,146,513	$ 57,146,513

On April 1, 2005 the District issued a Series 2005 General Obligation Refunding Bond, totaling $20,605,000. Bond proceeds are being spent on the repairs of existing schools and for alterations or acquisitions of school facilities. Repayment of the bonds is made from special parcel (valorem) tax revenues levied in connection with this bond issue. The bonds bear interest at rates ranging from 4.0% to 4.7% and are scheduled to mature through 2030, as follows:

Year Ended June 30,	Principal	Interest	Total
2010	$ 555,000	$ 870,614	$ 1,425,614
2011	585,000	842,864	1,427,864
2012	620,000	813,614	1,433,614
2013	655,000	782,614	1,437,614
2014	690,000	749,864	1,439,864
2015-2019	3,925,000	3,287,795	7,212,795
2020-2024	4,845,000	2,389,975	7,234,975
2025-2029	6,035,000	1,201,813	7,236,813
2030	1,385,000	65,787	1,450,787
	$ 19,295,000	$ 11,004,940	$ 30,299,940

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

On August 1, 2001 the District issued a Series 2001 General Obligation Bond, Series B totaling $35,000,000. Bond proceeds are being spent on the repairs of existing schools and for alterations or acquisitions of school facilities. Repayment of the bonds is made from special parcel (valorem) tax revenues levied in connection with this bond issue. The bonds bear interest at rates ranging from 5.0% to 5.5% and are scheduled to mature through 2010, as follows:

Year Ended June 30,	Principal	Interest	Total
2010	$ 830,000	$ 1,498,018	$ 2,328,018

On August 1, 2003 the District issued a Series 2003 General Obligation Bond, Series C totaling $20,000,000. Bond proceeds are being spent on the repairs of existing schools and for alterations or acquisitions of school facilities. Repayment of the bonds is made from special parcel (valorem) tax revenues levied in connection with this bond issue. The bonds bear interest at rates ranging from 2.5% to 4.625% and are scheduled to mature through 2033, as follows:

Year Ended June 30,	Principal	Interest	Total
2010	$ 450,000	$ 813,306	$ 1,263,306
2011	460,000	798,506	1,258,506
2012	500,000	780,456	1,280,456
2013	495,000	760,556	1,255,556
2014	515,000	740,356	1,255,356
2015-2019	2,910,000	3,366,759	6,276,759
2020-2024	3,580,000	2,674,555	6,254,555
2025-2029	4,515,000	1,710,375	6,225,375
2030-2033	4,495,000	462,875	4,957,875
	$ 17,920,000	$ 12,107,744	$ 30,027,744

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

On August 1, 2004 the District issued a Series 2004 General Obligation Bond, Series D totaling $20,000,000. Bond proceeds are being spent on the repairs of existing schools and for alterations or acquisitions of school facilities. Repayment of the bonds is made from special parcel (valorem) tax revenues levied in connection with this bond issue. The bonds bear interest at rates ranging from 4.25% to 5.00% and are scheduled to mature through 2035, as follows:

Year Ended June 30,	Principal	Interest	Total
2010	$ 410,000	$ 854,156	$ 1,264,156
2011	425,000	838,186	1,263,186
2012	440,000	824,931	1,264,931
2013	455,000	809,531	1,264,531
2014	475,000	796,151	1,271,151
2015-2019	2,660,000	3,670,061	6,330,061
2020-2024	3,295,000	3,038,240	6,333,240
2025-2029	4,190,000	2,145,020	6,335,020
2030-2034	5,270,000	1,057,677	6,327,677
2035	1,210,000	57,475	1,267,475
	$ 18,830,000	$ 14,091,428	$ 32,921,428

On April 10, 2007 the District issued a Series 2006 General Obligation Bond, Series A totaling $25,000,000. Bond proceeds are being spent on renovating older classrooms, improving access for disabled students and teachers, modernizing libraries and homework centers, enhancing computer learning technology and improving facilities. Repayment of the bonds is made from special parcel (valorem) tax revenues levied in connection with this bond issue. The bonds bear interest at rates ranging from 4.12% to 5.00% and are scheduled to mature through 2031, as follows:

Year Ended June 30,	Principal	Interest	Total
2010	$ 1,030,000	$ 1,081,519	$ 2,111,519
2011	1,435,000	1,030,019	2,465,019
2012	1,275,000	758,269	2,033,269
2013	60,000	894,519	954,519
2014	55,000	892,119	947,119
2015-2019	3,850,000	4,165,269	8,015,269
2020-2024	5,195,000	3,228,532	8,423,532
2025-2029	6,375,000	1,992,350	8,367,350
2030-2031	4,525,000	413,100	4,938,100
	$ 23,800,000	$ 14,455,696	$ 38,255,696

6. LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Amounts Due Within One Year
General Obligation Bonds	$ 143,980,000	$ 29,240,000	$ 33,305,000	$ 139,915,000	$ 3,520,000
Compensated absences	210,129	35,692		245,821	245,821
Other postemployment benefits (Note 9)		652,127	206,874	445,253	
	$ 144,190,129	$ 29,927,819	$ 33,511,874	$ 140,606,074	$ 3,765,821

The payments for the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments for the compensated absences are made from the fund that the respective compensation was charged to.

7. RESTRICTED NET ASSETS

The restricted net assets as of June 30, 2009 consist of the following:

	Governmental Activities	Fiduciary Activities
Restricted for:		
Revolving cash fund	$ 4,800	
Prepaid expenditures	22,615	
Stores inventory	77,408	
Unspent categorical program revenues	4,591,026	
Special revenues	3,105,891	
Capital projects	10,748,120	
Debt retirement	7,186,755	
Self-insurance	4,846,354	
Scholarships		$ 99,362
	$ 30,582,969	$ 99,362

8. EMPLOYEE RETIREMENT SYSTEMS

Plan Description and Provisions

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

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.00% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 9.428% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2007, 2008 and 2009 were $679,365, $719,306 and $768,366, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8.25% of their salary. The required employer contribution rate for fiscal year 2008-2009 was 8.00% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2007, 2008 and 2009 were $2,448,615, $2,644,266 and $2,635,426, respectively, and equal 100% of the required contributions for each year.

9. OTHER POSTEMPLOYMENT BENEFITS

The District's annual other postemployment 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 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 liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 652,127
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	652,127
Contributions made	(206,874)
Increase in net OPEB obligation	445,253
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	$ 445,253

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 652,127	32%	$ 445,253

As of February 9, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $4,810,284, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $4,810,284. The covered payroll (annual payroll of active employees covered by the Plan) was $42,309,740, and the ratio of the UAAL to the covered payroll was 11.37 percent.

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, shown above, 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.

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 of 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 February 9, 2009 actuarial valuation, the projected unit cost method was used. The actuarial assumptions included a 6.0 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 29 years.

10. JOINT POWERS AGREEMENTS

Metropolitan Education District

The District participates in a Joint Powers Authority with the Metropolitan Education District ("MetroEd") which administers and operates the Regional Occupational, Vocational Education and Adult Education programs for member school districts.

Each member school district has a representative on the Governing Board which is responsible for adopting an annual budget and overall management of MetroEd's activities. MetroEd receives most of its annual operating funds from each of the participating school district's Adult Education and General Funds.

Condensed financial information of MetroEd for the year ended June 30, 2008 (the latest information available) is as follows:

Total assets	$	38,629,964
Total liabilities	$	3,530,649
Total net assets	$	35,099,315
Total revenue	$	31,297,805
Total expenses	$	26,663,079
Change in net assets	$	4,634,726

The District's share of year-end assets, liabilities or fund equity has not been calculated by MetroEd.

School Project for Utility Rate Reduction

The District is a member with approximately 150 school districts, community college districts and county offices of education in a Joint Power Authority, School Project for Utility Rate Reduction (SPURR). SPURR was established in 1989 to provide for the direct purchase of gas, electricity, and other utility services. SPURR also provides advisory services relative to utilities.

The following is a summary of the financial information for SPURR at June 30, 2008 (the latest information available):

Total assets	$	19,037,656
Total liabilities	$	14,324,674
Total net assets	$	4,712,982
Total revenues	$	49,644,540
Total expenses	$	48,063,819
Net increase in net assets	$	1,630,958

The relationship between the District and the Joint Powers Authorities is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

11. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Fund		Excess Expenditures
General Fund:		
Certificated salaries	$	42,965
Employee benefits	$	287,412
Contract services and operating expenditures	$	41,022

Budget revisions for expenditures in excess of budgeted amounts were not made at the end of the fiscal year.

12. CONTINGENT LIABILITIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the District's financial position.

13. SUBSEQUENT EVENT

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of $24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009.

The July budget package reduced, on a State-wide basis, $1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill $1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

In accordance with the requirements of Government Accounting Standards Board Statement No. 33, the District has not recorded the revenue and related receivable associated with the District's portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package.

SUPPLEMENTARY INFORMATION

CAMPBELL UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2009

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund	County School Facilities Fund	Total
ASSETS							
Cash in County Treasury	$ (131,300)	$ (718,136)	$ 3,230,024	$ 3,983,143	$ 5,970,480	$ 962,507	$13,296,718
Cash on hand and in banks		76,608					76,608
Cash in revolving fund		800					800
Accounts receivable	340,382			15,566	23,114	4,356	383,418
Due from other funds	53,676	539,906	324,210				917,792
Stores inventory		34,291					34,291
Total assets	$ 262,758	$ (66,531)	$ 3,554,234	$ 3,998,709	$ 5,993,594	$ 966,863	$14,709,627
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 586,192	$ 22,847		$ 40,096	$ 125,231	$ 45,719	$ 820,085
Due to other funds		440					440
Total liabilities	586,192	23,287		40,096	125,231	45,719	820,525
Fund balances	(323,434)	(89,818)	$ 3,554,234	3,958,613	5,868,363	921,144	13,889,102
Total liabilities and fund balances	$ 262,758	$ (66,531)	$ 3,554,234	$ 3,998,709	$ 5,993,594	$ 966,863	$14,709,627

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2009

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund	County School Facilities Fund	Total
Revenues:							
Revenue limit sources:							
State apportionment		$ 165,079					$ 165,079
Federal sources		353,692					353,692
Other state sources	$ 2,409,972	35,156	$ 286,964				2,732,092
Other local sources		568,520		$ 389,116	$ 1,994,699	$ 57,029	3,009,364
Total revenues	2,409,972	1,122,447	286,964	389,116	1,994,699	57,029	6,260,227
Expenditures:							
Classified salaries		555,331				43,149	598,480
Employee benefits		234,632				26,314	260,946
Books and supplies		583,402			226,159		809,561
Contract services and operating expenditures	2,733,406	36,211		8,922	52,514		2,831,053
Capital outlay				8,544	333,797	2,309,638	2,651,979
Total expenditures	2,733,406	1,409,576		17,466	612,470	2,379,101	7,152,019
(Deficiency) excess of revenues (under) over expenditures	(323,434)	(287,129)	286,964	371,650	1,382,229	(2,322,072)	(891,792)
Other financing sources:							
Operating transfers in		195,223	324,210				519,433
Net change in fund balances	(323,434)	(91,906)	611,174	371,650	1,382,229	(2,322,072)	(372,359)
Fund balances, July 1, 2008		2,088	2,943,060	3,586,963	4,486,134	3,243,216	14,261,461
Fund balances, June 30, 2009	$ (323,434)	$ (89,818)	$ 3,554,234	$ 3,958,613	$ 5,868,363	$ 921,144	$13,889,102

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
STUDENT BODY FUNDS				
Del Mar High School				
Assets:				
Cash on hand and in banks	$ 54,788	$ 70,448	$ 62,533	$ 62,703
Liabilities:				
Due to student groups	$ 54,788	$ 70,448	$ 62,533	$ 62,703
Leigh High School				
Assets:				
Cash on hand and in banks	$ 186,925	$ 213,504	$ 148,222	$ 252,207
Liabilities:				
Due to student groups	$ 186,925	$ 213,504	$ 148,222	$ 252,207
Westmont High School				
Assets:				
Cash on hand and in banks	$ 222,587	$ 182,313	$ 189,189	$ 215,711
Liabilities:				
Due to student groups	$ 222,587	$ 182,313	$ 189,189	$ 215,711
Branham High School				
Assets:				
Cash on hand and in banks	$ 76,107	$ 170,184	$ 91,474	$ 154,817
Liabilities:				
Due to student groups	$ 76,107	$ 170,184	$ 91,474	$ 154,817

(Continued)

CAMPBELL UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
STUDENT BODY FUNDS (Continued)				
Prospect High School				
Assets:				
Cash on hand and in banks	$ 340,917	$ 48,002	$ 106,785	$ 282,134
Liabilities:				
Due to student groups	$ 340,917	$ 48,002	$ 106,785	$ 282,134
Total Agency Funds				
Assets:				
Cash on hand and in banks	$ 881,324	$ 684,451	$ 598,203	$ 967,572
Liabilities:				
Due to student groups	$ 881,324	$ 684,451	$ 598,203	$ 967,572

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION HIGH SCHOOL DISTRICT

ORGANIZATION

For the Year Ended June 30, 2009

Campbell Union High School District was established on September 1, 1900 and is comprised of an area of approximately 28 square miles located in Santa Clara County. There were no changes in the boundaries of the District during the current year. At June 30, 2009, the District operated five comprehensive high schools and one alternative education school.

The Board of Trustees of Campbell Union High School District is comprised of five members elected at large within the boundaries of the District. The Board and Administration manage and control the affairs of the District.

BOARD OF TRUSTEES

Name	Office	Term Expires
Ms. Diane Gordon	President	November 2012
Ms. Pam Parker	Clerk	November 2010
Mr. Matthew Dean	Member	November 2010
Ms. Rick Costanzo	Member	November 2012
Ms. Royce Peterson	Member	November 2012

ADMINISTRATION

Dr. Rhonda E. Farber
Superintendent

Mr. Patrick Gaffney
Deputy Superintendent - Business

Mr. Raymond Cutten
Assistant Superintendent - Human Resource Department

Ms. Patti Gregory
Assistant Superintendent - Curriculum & Instruction

CAMPBELL UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2009

	Second Period Report	Annual Report
Secondary:		
Regular Classes	6,394	6,357
Special Education	689	686
Compulsory Continuation Education	149	149
Classes for Adults	20	24
Home and Hospital	18	21
Community Day School	32	35
	7,302	7,272
Not Concurrently Enrolled:		
Classes for Adults	1,005	1,155
Regional Occupational Programs:		
Not Concurrently Enrolled in Regular Programs	696	750
	9,003	9,177

	Hours of Attendance
Secondary:	
Summer School	205,588

See accompanying notes to supplementary information.

CAMPBELL UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2009

Grade Level	1986-87 Minutes Require-ment	1982-83 Actual Minutes	2008-09 Actual Minutes	Number of Days Traditional Calendar	Status
Grade 9	64,800	63,780	70,710	180	In Compliance
Grade 10	64,800	63,780	70,710	180	In Compliance
Grade 11	64,800	63,780	70,710	180	In Compliance
Grade 12	64,800	63,780	70,710	180	In Compliance

See accompanying notes to supplementary information.

CAMPBELL UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2009

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education			
84.027	Special Ed - IDEA: LCI Growth, Part B, Sec 611	13379	$ 1,258,751
84.391	ARRA: Special Ed - IDEA: Local Assistance	15003	334,367
84.318	NCLB: Title II, Part D, Education Technology State Grants	14334	3,338
84.010	NCLB: Title I, Basic Grants Low Income and Neglected, Part A	13797	129,637
84.186	NCLB: Title IV, Safe and Drug Free Schools and Tobacco Use Prevention Education	13347	16,367
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	219,117
84.363	NCLB: Title III, Limited English Proficiency (LEP) Student Program	10084	45,482
84.365	NCLB: Title III, English Language Acquisition Grants	14346	22,197
84.365	NCLB: Title V, Part A, Innovative Education Strategies	14346	18,760
84.048	Vocational Programs: Voc and Applied Technology Secondary I C, Sec 131 (Carl Perkins Act)	13573	180,084
84.394	ARRA: State Fiscal Stabilization Funds	25008	1,480,071
84.unknown	Advance Placement Testing Reimbursement	-	980
	Total U.S. Department of Education		3,709,151
U.S. Department of Agriculture			
10.555	Child Nutrition: School Programs (NSL Sec 4)	13755	353,692
	Total Federal programs		$ 4,062,843

See accompanying notes to supplementary information.

CAMPBELL UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

	General Fund	Adult Education Fund	Cafeteria Fund	Building Fund	Self Insurance Fund
June 30, 2009 Unaudited Actual Financial Reporting Ending Fund Balance	$ 16,899,973	$ -	$ -	$ 36,646,284	$ 3,954,185
Adjustment to remove accounts receivable and associated revenue for categorical program funds unappropriated by the State of California for the year ended June 30, 2009:					
Community Day Schools	(3,716)				
School Safety	(144,164)				
ROC/P Apportionment	(230,292)				
Special Education	(16,801)				
Special Education - Project Workability	(32,185)				
Special Education - Personnel Staff Development	(896)				
Arts and Music	(112,913)				
Supplemental School Counseling	(476,309)				
Economic Impact Aid	(33,572)				
GATE	(1,268)				
Transportation Home to School	(235,284)				
Adult Education		(146,042)			
Child Nutrition			(166,426)		
Subtotal	(1,287,400)	(146,042)	(166,426)		
To reverse receivable that was deemed uncollectible		(177,392)			
To record cash account not on District books			76,608		
To record investments at fair value				(121,879)	(66,779)
To adjust negative Cash with Fiscal Agent				172,000	
To adjust claim liabilities to the actuarially determined amounts					958,948
Total adjustments	(1,287,400)	(323,434)	(89,818)	50,121	892,169
June 30, 2009 Audited Financial Statements Fund Balance	$ 15,612,573	$ (323,434)	$ (89,818)	$ 36,696,405	$ 4,846,354

There were no audit adjustments proposed to any other funds of the District.

See accompanying notes to supplementary information.

CAMPBELL UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2009

	(Budgeted) 2010	2009	2008	2007
General Fund				
Revenues and other financing sources	$ 64,098,570	$ 72,224,880	$ 69,730,293	$ 69,281,973
Expenditures	67,055,267	67,393,134	67,361,686	64,577,500
Other uses and transfers out	402,982	594,433	832,543	546,522
Total outgo	67,458,249	67,987,567	68,194,229	65,124,022
Change in fund balance	$ (3,359,679)	$ 4,237,313	$ 1,536,064	$ 4,157,951
Ending fund balance	$ 12,252,894	$ 15,612,573	$ 11,375,260	$ 9,839,196
Available reserves	$ 8,271,983	$ 8,446,993	$ 2,152,651	$ 1,554,352
Designated for economic uncertainties	$ -	$ -	$ 128,956	$ -
Undesignated fund balance *	$ 8,271,983	$ 8,446,993	$ 2,023,695	$ 1,554,352
Available reserves as percentages of total outgo	12.3%	12.4%	3.2%	2.4%
All Funds				
Total long-term liabilities	$136,840,253	$140,606,074	$144,190,129	$115,984,116
Average daily attendance at P-2, excluding adult and ROP	7,282	7,282	7,312	7,291

The General Fund fund balance has increased by $9,931,328 over the past three fiscal years. The fiscal year 2009-10 budget projects a decrease of $3,359,679. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses to be maintained. For the year ended June 30, 2009, the District has met this requirement.

The District has incurred operating surpluses in each of the past three years, and anticipates incurring an operating deficit during the 2009-10 fiscal year.

Total long-term liabilities have increased by $24,621,958 over the past two years.

Average daily attendance has decreased by 9 over the past two years and is anticipated to remain consist during the year ending June 30, 2010.

* Includes amounts available in the Special Reserve Fund.

See accompanying notes to supplementary information.

CAMPBELL UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2009

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
There are no charter schools operating under the District.	

See accompanying notes to supplementary information.

CAMPBELL UNION HIGH SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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.

B - Schedule of Instructional Time

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 instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2009-2010 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14503 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2009, the District did not adopt such a program.

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
Campbell Union High School District
San Jose, California

We have audited the compliance of Campbell Union High School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2009. Compliance with the requirements of state laws and regulations is the responsibility of Campbell Union High School District's management. Our responsibility is to express an opinion on Campbell Union High School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Campbell Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Campbell Union High School District's compliance with those requirements.

Description	Audit Guide Procedures	Procedures Performed
Regular and Special Day Classes	8	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	No, see below
Regional Occupational Center and Programs	6	No, see below
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Community Day Schools	9	No, see below
Morgan-Hart Class Size Reduction Program	7	No, see below
Instructional Materials:		
General requirements	12	No, see below
Grades K-8	1	No, see below
Grades 9-12	1	No, see below
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	No, see below
Mathematics and Reading Professional Development	4	No, see below
Class Size Reduction Program:		
General requirements	7	No, see below
Option one classes	3	No, see below
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS
(Continued)

Description	Audit Guide Procedures	Procedures Performed
After School Education and Safety Program:		
General requirements	4	No, see below
After school	4	No, see below
Before school	5	No, see below
Contemporaneous Records of Attendance, for charter schools	1	No, see below
Mode of Instruction, for charter schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	3	No, see below

We did not perform any procedures related to Adult Education, Regional Occupational Center and Programs, Morgan Hart Class Size Reduction Program, Instructional Materials: Grades K-8 Only, Instructional Materials: Grades 9-12 Only, or Mathematics Reading and Professional Development as these programs are not required to be audited per flexibility provisions in SBx3 4.

We did not perform any procedures related to Community Day School because the District does not offer this program.

We did not perform any procedures related to Instructional Time for County Office of Education because the District is not a County Office of Education.

We performed procedure (a) of Section 19828.3 related to Instructional Materials: General Requirements. However, we did not perform procedures (b), (c) and (e) of Section 19828.3 for the Instructional Materials per the flexibility provisions in SBx3 4.

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer this program in the current year.

The 2008-2009 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2009. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2008-2009 Audit Guide relating to the comparison of tested data from the 2008-2009 fiscal year to the 2008-2009 School Accountability Report Cards.

We did not perform any procedures related to Class Size Reduction Program - Option One, Option Two classes and Districts with only one school serving K-3 because the District does not participate in any of these programs.

We did not perform any procedures related to After School Education and Safety Program because the District did not receive any funding from the program.

The District does not have any Charter Schools; therefore, we did not perform any of the testing required by Article 4 of the Audit Guide.

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS
(Continued)

In our opinion, Campbell Union High School District complied with the state laws and regulations referred to above for the year ended June 30, 2009. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Campbell Union High School District had not complied with the state laws and regulations.

This report is intended solely for the information of the Board of Trustees, management, the State Controller's Office, the California Department of Education and the California Department of Finance, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith LLP

Sacramento, California
December 10, 2009

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
Campbell Union High School District
San Jose, California

We have audited the financial statements of Campbell Union High School District as of and for the year ended June 30, 2009, and have issued our report thereon dated December 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Campbell Union High School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Campbell Union High School District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Campbell Union High School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Compliance and Other Matters

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

This report is intended solely for the information of the Board of Trustees, management, the California Department of Education, the California State Controller's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith LLP

Sacramento, California
December 10, 2009

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Campbell Union High School District
San Jose, California

Compliance

We have audited the compliance of Campbell Union High School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Campbell Union High School District's major federal programs are identified in the accompanying summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Campbell Union High School District's management. Our responsibility is to express an opinion on Campbell Union High School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Campbell Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Campbell Union High School District's compliance with those requirements.

In our opinion, Campbell Union High School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Campbell Union High School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Campbell Union High School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Campbell Union High School District's internal control over compliance.

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

This report is intended solely for the information of the Board of Trustees, management, the California Department of Education, the California State Controller's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith LLP

Sacramento, California
December 10, 2009

FINDINGS AND RECOMMENDATIONS

CAMPBELL UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027	Special Ed - IDEA: LCI Growth, Part B, Section 611
84.394	ARRA: State Fiscal Stabilization Funds
84.391	ARRA: Special Ed - IDEA: Local Assistance
10.555	National School Lunch Program

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

STATE AWARDS

Internal control over state programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified not considered to be material weaknesses?	____ Yes	X None reported
Type of auditor's report issued on compliance for state programs:	Unqualified	

SECTION II - FINANCIAL STATEMENT FINDINGS

1. INTERNAL CONTROLS - FINANCIAL REPORTING (30000)

Criteria

District management is responsible for the design and operation of internal controls over financial reporting. Weaknesses exist 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 financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that, even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

Condition

The Unaudited Actuals beginning fund balance did not agree to the prior year ending balance as it appeared in the prior year report.

Effect

The District's Unaudited Actual financial statements, as presented at the beginning of the audit, did not accurately reflect the financial condition of the District, and resulted in three separate files being submitted.

Cause

Several account balance recommendations and required journal entries were not made during the year end closing process.

Fiscal Impact

Not applicable.

Recommendation

The District should implement training so that internal controls can be properly designed and operated to prevent or detect financial statement misstatements on a timely basis.

Corrective Action Plan

The District will implement the recommendation to ensure that financial statements are accurately reported on a timely basis.

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2. INTERNAL CONTROLS - CASH ACCOUNTS (30000)

Criteria

Management is responsible for the safeguarding of the District assets.

Condition

A Cafeteria Cash Account was not recorded in the District Unaudited Actuals. Also, reconciliations for the General Fund Revolving Account, Cafeteria Fund Revolving Account, Building Fund Investment Account and the Self-Insurance Fund Cash Account and investment accounts are not reconciled appropriately.

Effect

Due to the reconciliations not being done appropriately, the District did not record the Cafeteria Cash Account in the District Unaudited Actuals and the investment accounts were not recorded at fair value.

Cause

The District did not reconcile these accounts appropriately to ensure all amounts were recorded accurately.

Fiscal Impact

The Cafeteria Cash accounts were understated by $76,608, the Building Fund investments were overstated by $121,879 and the Self-Insurance investments were overstated by $66,779.

Recommendation

The District should implement procedures to ensure all cash and investment accounts are reconciled appropriately to ensure all cash accounts are reflected accurately in the District's Unaudited Actuals.

Corrective Action Plan

The District will implement the recommendation to ensure that all cash accounts are reconciled appropriately and in a timely manner to ensure the balances are reflected accurately in the Unaudited Actuals.

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

3. INTERNAL CONTROL- ASSOCIATED STUDENT BODY (30000)

Criteria

Management is responsible for the safeguarding of the assets held in a fiduciary capacity.

Condition

At Prospect High School, procedures are not in place to require receipt being issued by the Student Activities Advisor when cash is collected. Also, activities are not approved by the principal or authorized personnel.

Effect

There exists the risk that ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not applicable.

Recommendation

We recommend that a receipt be issued by the Student Activities Director once cash is collected and that all activities should be approved by the principal or other authorized personnel.

Corrective Action Plan

The District will implement procedures to ensure that receipts are issued for all cash collected and that all activities are approved by authorized personnel.

4. INTERNAL CONTROL - FIXED ASSETS (30000)

Criteria

Safeguard of assets.

Condition

We noted that two fixed assets were not recorded in the fixed assets tracking system. Also, noted assets were purchased on January 28, 2009 but were not recorded in the system as of April 30, 2009.

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

4. INTERNAL CONTROL - FIXED ASSETS (30000) (Continued)

Effect

There exists the risk that fixed assets could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not applicable.

Recommendation

Fixed assets should be recorded in the system in a timely manner and depreciated over the appropriate useful life of that asset.

Corrective Action Plan

The District will implement the recommendations made to ensure all fixed assets are recorded in the fixed asset tracking system in a timely manner.

CAMPBELL UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2009

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

CAMPBELL UNION HIGH SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2009

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2008-1 Two of the Scholarship fund bank accounts were not reconciled as of June 30, 2008. We recommend bank reconciliations be performed in a timely manner. Further, all bank reconciliations should be reviewed and approved by an individual independent of the preparation of the reconciliations.	Implemented.	
2008-2 At Westmont High School, procedures are not in place to require the approval of fundraising activities of the Associated Student Body by the governing officials. We recommend the school implement procedures to ensure requests for fundraising activities be approved by the governing officials.	Implemented.	
2008-3 The District did not provide a CalSTRS membership election form to newly hired substitute or part time teachers. The District should provide all substitute and part time teachers a CalSTRS membership form upon employment.	Implemented.	
2008-4 The number of teachers per ADA for independent study is higher than the number of regular instruction program teachers to other ADA. The District should revise and resubmit the Second Period and Annual Reports of Attendance.	Implemented.	

APPENDIX B

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series C Bonds is payable from the General Fund of the District. The Series C Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE SERIES C BONDS –Security" herein.

General Information

Campbell Union High School District was formed in 1900. The District is located in western Santa Clara County (the "**County**"), approximately fifty miles south of the City of San Francisco and eight miles west of the downtown area of the City of San Jose. Formed in 1900, the District covers an area of approximately 30 square miles and serves the west side of the Santa Clara Valley with five comprehensive grade nine through twelve sites: (1) Branham, (2) Del Mar, (3) Leigh, (4) Prospect, and (5) Westmont High Schools. The District also maintains Boynton Continuation High School, which is an alternative school serving a variety of special needs, and the Camden Community Day School, which is an additional program/site, adding options for students. The District serves students in grades 9-12 and had an average daily attendance of 7,122 students in fiscal year 2010-11. There are five elementary school districts that feed into the District: Moreland, Cambrian, Union, Luther Burbank and Campbell Union. There are currently no charter schools in the District.

Since fiscal year 2007-08 to the current fiscal year, the District's local property taxes have exceeded the State's calculated revenue limit for the District, resulting in the District's being treated as a **"Basic Aid"** district, meaning that the District does not receive a revenue limit entitlement from the State, but instead keeps its share of local property taxes in excess of the revenue limit. For more information on the District's Basic Aid status, see "-Basic Aid District" below.

The following table shows the average daily attendance in the District for 10 years.

CAMPBELL UNION HIGH SCHOOL DISTRICT
Average Daily Attendance

Fiscal Year	Average Daily Attendance
2002-03	7,001
2003-04	7,209
2004-05	7,288
2005-06	7,399
2006-07	7,388
2007-08	7,387
2008-09	7,272
2009-10	7,266
2010-11 (1)	7,122
2011-12 (1)	7,122

(1) Projected.
Source: Campbell Union High School District

Administration

The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term. Current members of the Board of Trustees, together with their office and the date their term expires, are listed below:

Name	Office	Term Expires
Diane Gordon	President	December 2012
Rick Costanzo	Clerk	December 2012
Matthew T. Dean	Trustee	December 2014
Pam Parker	Trustee	December 2014
Royce Peterson	Trustee	December 2014

Employee Relations

As of June 30, 2010, the District employed 420 full-time equivalent certificated employees and 182 full-time equivalent classified employees.

Certificated and classified employees are represented by two bargaining agents: the Campbell High School Teachers Association (**"CHSTA"**), which is the exclusive bargaining agent for all certificated non-management employees of the District and the California School Employees' Association (**"CSEA"**) is the bargaining agent for all classified or uncertificated personnel within the District. The District's contract with CHSTA expired on August 31, 2010 and the District's contract with CSEA expired on June 30, 2009. The District has a contract in force with Service Employees International Union (**"SEIU"**), which expires on December 31, 2010. Management and confidential employees are not represented by a bargaining unit. The District is operating under the terms of the expired contracts while negotiating new contracts. The District characterizes the negotiations as amicable.

Pension Plans

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

STRS. The District participates in STRS. This plan covers basically all full-time certificated employees. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools. The District's contribution to STRS for fiscal year 2008-09 was $2,635,426, for fiscal year 2009-10 was $2,619,447 (unaudited actual) and is budgeted to be $2,491,839 for fiscal year 2010-11.

PERS. The District also participates in PERS. This plan covers all classified personnel who are employed more than four hours per day. In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of service to California schools.The District's contribution to PERS for fiscal year 2008-09 was $768,366, for fiscal year 2009-10 was $739,872 (unaudited actual) and is budgeted to be $840,605 for fiscal year 2010-11.

Other Post-Employment Benefits

In addition to pension benefits described above, the District provides post-employment health care benefits to eligible retired employees. For qualified employees aged 55 or older at retirement, benefits are paid by the District for a period of five years after the date or retirement or until age 65, whichever occurs first. Certain additional conditions and benefits apply to employees with 15 years or more of service to the District who were at least 55 years old at retirement by June 30, 1999.

Currently 204 District retirees are receiving post-employment retirement benefits. During the year ending June 30, 2009, the District recognized approximately $206,874 for post-retirement benefits, and for the year ending June 30, 2010 the amount was $170,094 (unaudited actual).

The Governmental Accounting Standards Board (**"GASB"**) has published Statement No. 45 which requires the District to account for post-employment benefits other than pension benefits (**"OPEB"**). The most recently prepared actuarial report is dated January 24, 2009 and sets forth the amount of unfunded actuarial accrued liability (**"UAAL"**) for such benefits, which was $7,413,378 as of July 1, 2008. This represents the present value of all benefits expected to be paid by the District for its current and future retirees, if all assumptions used are correct.

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (**"ARC"**), an amount actuarially determined in accordance with the parameters of the 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 liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the District net OPEB obligation for fiscal year ending June 30, 2009.

ARC/Annual OPEB cost (expense)	$652,127
Contributions made	(206,874)
Increase in net OBEP Obligation	445,253
Net OPEB Obligation – beginning of year	-
Net OPEB Obligation – end of year	$445,253

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$652,127	32%	$445,253

See "APPENDIX A – EXCERPTS OF AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2008-09 - Note 9 - Other Postemployment Benefits."

District Budget

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

Under current law, the District Board of Trustees is required to approve an adopted budget by July 1 of each fiscal year.

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 State of California Education Code, is to be followed by all California school districts.

District revenues are recognized during the period in which they become both measurable and available to finance operations of the current fiscal period. District expenditures are reflected in the fiscal period in which the liability occurred.

District accounting is organized on the basis of governmental fund types, with each fund consisting of a separate set of self-balancing accounts containing assets, liabilities and fund balances, including revenues and expenditures. The major fund classification is the General Fund, which accounts for the general operations of the District. The District's fiscal year begins on July 1 and ends on June 30.

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 June 30, 2009 Audited Financial Statements were prepared by Perry-Smith LLP, Sacramento, California. See Appendix A hereto for the District's June 30, 2009 Audited Financial Statements.

Because the District is a Basic Aid District, the District does not receive a revenue limit entitlement from the State, but instead keeps its share of local property taxes. The District became a Basic Aid district in fiscal year 2007-08 and has continued to be such since that time. In fiscal years 2007-08 through the current fiscal year (2010-11), the District received local property taxes over its State revenue limit. These funds provide the primary source for all instructional programs and the resources to pay for all operating costs in the District's general fund. While the District does not derive its revenue limit funds from the State, funds for certain special purpose programs, or "categorical aid" are derived from the State. See also "-State Funding of Education and Revenue Limitations" below.

The following table shows the District's audited actual amounts for Fiscal Years 2006-07 through 2008-09, unaudited actuals for Fiscal Year 2009-10 and budgeted figures for Fiscal Year 2010-11. The audited financial statements for the fiscal year ending June 30, 2010 is expected to be approved by the District Board on January 13, 2011.

CAMPBELL UNION HIGH SCHOOL DISTRICT
General Fund- Summary of Revenues, Expenditures and Fund Balances
Fiscal Years 2006-07 through 2008-09 (audited), 2009-10 (Unaudited Actuals)
and 2010-11 (Adopted Budget)

	2006-07 Audited	2007-08 Audited	2008-09 Audited	2009-10 Actuals[3]	2010-11 Budgeted[3]
Revenues					
Revenue Limit:					
State apportionment[1]	$ 494,715	$(374,196)	(301,319)	-	-
Local sources	48,368,859	50,681,274	54,235,121	-	-
Total revenue limit	48,763,574	50,307,078	53,933,802	54,215,053	53,683,191
Federal Revenue	2,002,615	1,889,177	3,709,151	3,610,106	1,719,356
Other State Revenue	9,464,323	8,323,490	6,279,179	5,054,906	1,142,196
Other Local Revenue	9,051,461	9,210,548	8,302,748	8,073,471	7,398,844
Total Revenue	69,281,973	69,730,293	72,224,880	70,953,537	63,943,587
Expenditures					
Certificated Salaries	31,451,381	32,839,810	32,660,649	32,149,177	31,662,917
Classified Salaries	7,855,002	8,193,299	8,626,056	8,873,594	9,071,475
Employee Benefits	11,226,646	12,031,027	12,990,512	13,055,103	13,606,266
Books & Supplies	3,565,645	2,857,789	2,236,502	1,651,185	1,925,197
Services & Other Operating Expenses	7,562,352	8,526,414	8,204,585	7,951,103	8,695,905
Capital Outlay	83,886	112,165	92,386	271,880	-
Other Outgo	2,832,588	2,801,182	2,582,444	2,264,456	1,726,736
Total Expenditures	64,577,500	67,361,686	67,393,134	66,216,501	66,688,497
Excess of Revenues Over (Under) Expenditures	4,704,473	2,368,607	4,831,746	4,737,035	(2,744,910)
Other Financing Sources (Uses)					
Operating Transfer In	-	-	-	-	-
Operating Transfer Out	(546,522)	(832,543)	(594,433)	429,562	544,068
Total Other Sources & Uses	(546,522)	(832,543)	(594,433)	429,562	544,068
Net Change in Fund Balance	4,157,951	1,536,064	4,237,313	4,307,472	(3,288,976)
Fund Balance, Beginning of Year	5,681,245	9,839,196	11,375,260	13,807,600[2]	8,115,073
Fund Balance, End of Year	$9,839,196	$11,375,260	$15,612,573	$18,115,073	$14,826,097

(1) The State portion of revenue limit is shown as a negative in 2007-08 and 2008-09 because revenue is passed-though to the Santa Clara County Office of Education for providing services for some of the District's Special Education Students. Funding for this ADA is claimed by the District as part of the District's Revenue Limit calculation. Because the District became a Basic Aid district in 2007-08, the revenue pass-through to the County appears as a negative State apportionment.
(2) 2009-10 Adjusted beginning balance.
(3) Presentation of the 2009-10 Actuals and the 2010-11 Budget differs from the format of the audited financials shown for prior years.
Source: Campbell Union High School District.

District Reserves. The District has a Board-adopted policy of maintaining a reserve for economic uncertainties of at least 5 percent of general fund expenditures, which is 2 percent higher than the applicable level required by the State.

For fiscal year 2009-10, the ending fund balance of $18,115,073 included $6,322,292 of undesignated funds (9.5% of general fund expenditures), and $11,132,619 in designated reserves, consisting of a parcel tax reserve ($5,268,482), a reserve for the District's "fair share" of categorical program funding that typically comes from the State but Basic Aid districts have been required in recent fiscal years to forfeit in the amount of $4,658,450, and $1,205,687 for Tier III categorical programs.

For fiscal year 2010-11, the budgeted $14,826,097 ending fund balance includes $4,899,165 of undesignated funds (7.3% of general fund expenditures), and $9,926,932 in designated reserves, consisting of a parcel tax reserve ($5,268,482) and a reserve for the District's "fair share" of $4,658,450.

District Response to State Reductions in Education Funding. As a result of the State's budgeting difficulties (see "-State Funding of Education and Recent State Budgets" below), Basic Aid districts have had to forfeit their "fair share" of certain State-funded categorical funds. Notwithstanding that the District has had to forfeit such amounts, it has been able to "back-fill" in those categorical programs with parcel tax revenues. The District has also been able to reduce staffing due to attrition and increase class sizes. The District has not had to implement lay-offs or furlough days.

District Revenue Sources

The District categorizes its general fund revenues into four sources, summarized below:

CAMPBELL UNION HIGH SCHOOL DISTRICT
District Revenue Sources[1]

	Percentage of Total District General Fund Revenues			
Revenue Source	2007-08	2008-09	2009-10[1]	2010-11[2]
Revenue limit sources [3]	72.1%	74.6%	76.4%	83.9%
Federal revenues	2.7	5.1	5.0	2.6
Other State revenues	11.9	8.6	7.1	1.7
Other local revenues [4]	13.2	11.4	11.3	11.5

(1) Unaudited.
(2) Budgeted.
(3) The District is a Basic Aid District, therefore most revenue limit sources are derived from local property tax revenues.
(4) The District has a voter-approved parcel tax which provides revenues that can be used for any purpose set forth in the voter-approved measure and was extended in November, 2008 for an additional five years.
Source: Campbell Union High School District.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying (1) the average daily attendance for such district by (2) a base revenue limit per unit of A.D.A. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Because the District is a Basic Aid district, funding of its revenue limit is currently provided by local property taxes. Consequently, taxes lost through any reduction in assessed valuation will not be compensated by the State as equalization aid under the State's school financing formula.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. The District receives some other State revenues, which are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid, School Improvement Program, instructional materials, and various block grants.

The District receives State aid from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election.

Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instructional materials.

Other Local Revenues. In addition to local property tax revenues, the District receives additional local revenues from a voter-approved parcel tax, interest earnings, interagency services and other local sources. See "Local Revenues – Voter-Approved Parcel Tax Levy" below.

Local Revenues – Voter-Approved Parcel Tax Levy

At an election held on November 2, 2004, more than 2/3 of the District voters approved the levy of a parcel tax in the amount of $85 per parcel, excluding parcels owned by residents aged 65 or older who apply for an exemption. The parcel tax was authorized to be levied for five years, commencing with fiscal year 2005-06. Annual receipts from such parcel tax are approximately $5,000,000. On November 4, 2008, District voters approved the extension of the parcel tax of $85 per parcel, for an additional 5 years. The parcel tax revenues are reflected in the District's audit under "Local Revenues."

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 State of California Education Code, is to be followed by all California school districts.

District 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. Delinquent taxes that are not received until 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.

District 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 for the educational programs not requiring a special type of fund. The District's fiscal year begins on July 1 and ends on June 30.

The Governmental Accounting Standards Board (**"GASB"**) published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting and (ii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iii) required supplementary information. The requirements of Statement No. 34 were effective in three phases based on a government's total annual revenues, and the District was required to implement Statement No. 34 beginning with its fiscal year 2002-03 audited financial statement.

Long-Term Borrowing

General Obligation Bonds.

1999 Authorization. On November 2, 1999, the District's voters approved an authorization of $95,000,000 principal amount of general obligation bonds (the "**1999 Authorization**"). Under the 1999 Authorization (which has been fully used), the District has outstanding the following general obligation bonds or general obligation refunding bonds:

- ***2003 Bonds.*** On August 5, 2003, the District issued $20,000,000 General Obligation Bonds, Election of 1999, Series 2003, currently outstanding in the aggregate amount of $17,010,000. The 2003 Bonds are scheduled to mature through 2032.

- ***2005 Refunding Bonds.*** On April 13, 2005, the District issued $20,605,000 General Obligation Refunding Bonds, currently outstanding in the aggregate amount of $18,155,000. The 2005 Refunding Bonds were issued to refund general obligation bonds of the District that were issued under the 1999 Authorization.

- ***2005 Bonds.*** On April 13, 2005 the District issued $20,000,000 General Obligation Bonds, Election of 1999, Series 2005, currently outstanding in the aggregate amount of $17,995,000.

- ***2009 Refunding Bonds***. On June 10, 2009, the District issued $29,240,000 2009 General Obligation Refunding Bonds currently outstanding in the aggregate amount of $28,565,000. The 2005 Refunding Bonds were issued to refund general obligation bonds of the District that were issued under the 1999 Authorization.

2006 Authorization. On November 6, 2006, the District's voters approved an authorization of $90,000,000 principal amount of general obligation bonds (the **"2006 Authorization"**). Under the 2006 Authorization, the District has previously issued the following general obligation bonds:

- ***Series A Bonds***. On April 25, 2007, the County issued on behalf of the District a first series of bonds under the Authorization designated 2007 General Obligation Bonds, Election 2006, Series A in the aggregate principal amount of $25,000,000, currently outstanding in the aggregate principal amount of $21,335,000.

- ***Series B Bonds.*** On May 29, 2008, the County issued on behalf of the District a second series of bonds under the Authorization designated 2008 General Obligation Bonds, Election 2006, Series B in the aggregate principal amount of $30,000,000, currently outstanding in the aggregate principal amount of $29,255,000.

The Series C Bonds are expected to be the last series of bonds issued pursuant to the 2006 Authorization.

See "DEBT SERVICE SCHEDULES" in the body of this Official Statement for the future debt service (assuming no optional redemption) due on the District's outstanding general obligation bonds.

State Funding of Education and Recent State Budgets

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "– State Funding of Education and Revenue Limitations" above). State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs.

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

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the County, nor the Underwriter is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated in this Official Statement by reference.

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.

- The State Legislative Analyst's Office (the "LAO") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

2010-11 State Budget. Set forth below is a summary of information available with respect to the 2010-11 State Budget.

<u>November 18, 2009 - LAO Report on Fiscal Year 20010-11</u>. On November 18, 2009, the LAO released a report entitled "The 2010-11 Budget: California's Fiscal Outlook," in which it forecast that the State will need to address a general fund budget problem of \$20.7 billion. The budget problem consists of a \$6.3 billion projected deficit for fiscal year 2009-10 and a \$14.4 billion gap between projected revenues and spending in fiscal year 2010-11.

<u>January 8, 2010 – 2010-11 Proposed Budget Submitted by Governor to Legislature</u>. The Governor submitted his 2010-11 Budget to the State Legislature on January 8, 2010. The 2010-11 Proposed Budget acknowledged a projected budget gap of \$19.9 billion, comprised of a 2009-10 shortfall of \$6.6 billion, a 2010-11 budget year shortfall of \$12.3 billion and a modest reserve of \$1 billion. The Governor proposed a combination of spending reductions, alternative funding, fund shifts and additional federal funds to close the \$19.9 billion budget gap. Approximately 40% of the solutions relied on the federal government for funding or flexibility, another 40% rely on reductions in State spending, and the remaining 20% consists of various fund shifts.

With respect to K-12 funding, the 2010-11 Budget proposed full funding of the Proposition 98 minimum guarantee, but a reduction of approximately 10% in funding for administration and other non-instruction related spending. The Budget included various flexible spending propositions, including those with respect to teacher seniority, substitute costs, staffing notification requirements, and reduced school year. Non-Proposition 98 programs funded with State general fund monies were proposed to be reduced by $2 million, or 0.2%.

LAO Reports. On January 12, 2010, the LAO commented on the 2010-11 Proposed Budget, stating that the Governor's estimate of an $18.9 billion budget problem was reasonable but was $3.1 billion smaller than the LAO estimates and may be exacerbated by various lawsuits. The LAO also noted that the Governor's plan relied heavily on federal relief, which the State was unlikely to receive in the amounts requested.

On February 25, 2010, the LAO released a report commenting on the 2010-11 Proposed Budget's Proposition 98 and K-12 Education proposals. The LAO report stated that the Governor's Proposed Budget would result in reductions in Proposition 98 funding levels from what is required by approximately $2.2 billion in 2009-10 and approximately $3.2 billion in 2010-11. K-12 revenue limit funding would be cut by $1.5 billion and virtually all education mandates would be suspended in 2010-11. These reductions were based in part on the Governor's interpretation of "minimum guarantee" as described under "Proposition 98 Funding" above. According to the LAO report, the 2010-11 Proposed Budget took steps in the right direction by reducing costs, providing flexibility and seeking federal funding, but it also missed opportunities for meaningful reform and was based on several assumptions that, if they did not come to pass, would render the plan unworkable.

May 12, 2010 – Governor Submitted May Revise to 2010-11 Budget. The Governor submitted a revised 2010-11 Budget which called for $12.4 billion in spending cuts to help bridge a $20 billion deficit over the 2010-11 fiscal year. The May Revise cut heavily into State programs, such as CalWORKS, mental health, childcare and some natural resources programs.

LAO Report. On May 18, 2010, the LAO published its comments on the May Revision stating that the Governor's estimate of the budget shortfall was reasonable. However, the LAO Report advised the Legislature to reject the Governor's most drastic spending cuts, particularly the elimination of CalWORKs and child care funding, instituting instead the LAO's alternative spending reduction proposals, and adopting selective revenue increases from fee increases and other non-tax revenues and targeted tax increases. Additionally, the LAO Report urged the Legislature to suspend Proposition 98 if the minimum guarantee was above the level that the State could afford. The LAO predicted that even if the Legislature approved all of the painful cuts and realized the savings assumed by the Governor's May Revision, a multibillion-dollar operating deficit between $4 billion and $7 billion was likely to persist in future years.

July 1, 2010: 2010-11 Fiscal Year Begins. The June 15, 2010 deadline for the State Legislature to pass the State Budget bill passed and the 2010-11 Budget Act, which must be approved by a two-thirds majority vote of each House of the Legislature, had not yet been approved.

July 28, 2010 – Governor Declared Financial State of Emergency. The Governor declared a financial state of emergency and ordered 150,000 state workers to take furlough three days per month. The legislative session ended on August 31, 2010 and lawmakers voted on two competing budget proposals – the Governor's and a joint state budget plan of Democratic leaders in the Assembly and the Senate. Both budget plans failed on party-line votes.

On August 23, 2010, in an effort to conserve cash and delay the need to issue IOUs, state officials decided to start delaying school payments of $2.5 billion a month in September through December. This came after a $2.5 billion deferral in July.

October 8, 2010 – 2010-11 Budget Adopted. The Legislature passed the $87.5 billion 2010-11 Budget on the morning of October 8, 2010 and the Governor signed it that night, exercising his line-item veto authority to reduce spending by $963 million in order to raise the reserve level from $375 million to $1.3 billion. Total expenditure reductions are $8.4 billion. The 2010-11 Budget assumes federal funds of $5.4 billion and other solutions of almost $5.5 billion.

The 2010-11 Budget includes:

Pension Reform. The 2010-11 Budget proposes legislation to decrease pension benefits for State employees hired in the future. The pension reform rolls back retirement formulas used to calculate pension payments and includes permanent increases in pension contributions.

Suspension of Education Spending; Deferrals. The Legislature suspended Proposition 98's minimum guaranty to provide $49.7 billion in spending on K-14 Education in 2010-11. Funds of $300 million are provided in the 2010-11 Budget to meet the State's outstanding 2009-10 Proposition 98 settle-up obligation. In addition, related budget bills provide K-12 education with $1.5 billion in special one-time federal funding. The 2010-11 Budget Package defers $1.9 billion in additional K-14 payments to July 2011.

Cost Reductions in Employee Compensation, Health and Social Services, Criminal Justice. The 2010-11 Budget provides $1.6 billion in personnel cost reductions through revisions to union agreements, and a "workforce cap" which consists of reductions in hiring and reduced operating costs. Furthermore, $300 million in reductions are made to the In-Home Supportive Services Program and $187 million in savings to Medi-Cal. A total of $1.1 billion in General Fund savings within the Department of Corrections is assumed.

Federal Funding Assumptions. The 2010-11 Budget includes assumptions that the federal government will provide funding or approval for certain reductions in State costs or service levels, resulting in a reduction in General Fund costs by $5.4 billion. About $1.3 billion has been approved by the Congress and the President. Most of the federal funding assumed in the 2010-11 Budget has yet to be approved by Congress.

Revenue-Related Solutions. The 2010-11 Budget extends for two additional tax years the previously enacted temporary suspension of businesses' ability to use net operating losses to reduce tax liabilities, projected to increase State revenues by $1.2 billion in 2010-11 and by $400 million in 2011-12. The budget plan assumes $1.2 billion in one-time revenue from the sale of 11 State office properties. The Budget plan includes $2.7 billion of loans, loan repayment extensions, transfers and fund shifts from special funds.

Measure for Budget Reform. The Legislature approved a measure to place a budget reform constitutional amendment before the voters at a future statewide election, intended to increase the State's budgetary reserves and stabilize the

State's financial health over time. The measure would double the maximum size of the Budget Stabilization Account and provide more stringent deposit requirements.

November 10, 2010 LAO Report. The LAO forecasts in its November 10, 2010 report, that the State's General Fund revenues and expenditures show a budget problem of $25.4 billion, consisting of a $6 billion projected deficit for fiscal year 2010-11 and a $19 billion gap between projected revenues and spending for fiscal year 2011-12. The LAO projects that the State will continue to face annual budget problems of approximately $20 billion each year through fiscal year 2015-16, and recommends that the Legislature initiate a multi-year approach to solving the State's recurring structural budget deficit, addressing permanent revenue and expenditure actions each year, together with temporary budget solutions, until the structural deficit is eliminated.

November 11, 2010 – Governor Calls Special Session. Governor Schwarzenegger called a special legislative session to commence on December 6, 2010, when new lawmakers were sworn into office in order to address the $6 billion projected deficit for fiscal year 2010-11. In November, State voters approved a constitutional initiative to lower the legislative threshold to pass the State budget from two-thirds to a simple majority, however, a two-thirds vote is still required to raise taxes and fees. On January 3, 2011, the State's new governor, Jerry Brown, will be sworn into office, and January 10, 2011 is the constitutional deadline for the governor to submit a proposed budget for fiscal year 2011-12.

Information about State budgets is regularly available at various State-maintained websites. See: www.dof.ca.gov, under the heading "California Budget". Additionally, an impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by these references.

The State has not entered into any contractual commitment with the District, the County, the Underwriter or the owners of the Series C Bonds to provide State budget information to the District or the owners of the Series C Bonds. Although they believe the State sources of information listed above are reliable, the District and the Underwriter assumes no responsibility for the accuracy of the State Budget information set forth or referred to herein.

2010 Legal Challenge to State Funding of Education

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL INFORMATION - State Funding of Education and Recent State Budgets."

On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified, Alpine Union, Del Norte County Unified, Folsom Cordova Unified, Hemet Unified, Porterville Unified, Riverside Unified, San Francisco Unified, and Santa Ana Unified School Districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Maya Robles-Wong, et al. v. State of California*, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance. The District cannot predict the outcome of the *Robles-Wong* litigation, however, if successful, the lawsuit could result in a change in how school finance is implemented in the State of California.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Series C Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111, 187 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Series C Bonds. The tax levied by the County for payment of the Series C Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. As described under “THE REFUNDING BONDS – Authority for Issuance”, the District received authorization by a requisite 55% of voters to issue the Refunding Bonds and has stated that it will comply with all applicable accountability measures required by law. Article XIIIA defines full cash value to mean "the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

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

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.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to employed in determining the full cash value of property for property tax purposes.

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. State-assessed unitary and certain other property is allocated to the counties by 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.

Constitutional Appropriations Limitation

Article XIIIB (**"Article XIIIB"**) 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. 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 under the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB 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 legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB 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 XIIIB 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 under Section 8.5 of Article XVI of the State Constitution.

Article XIIIC and Article XIIID 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 XIIIC and XIIID (respectively, **"Article XIIIC"** and **"Article XIIID"**), 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 XIIIC 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 XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

Proposition 218 does not affect the *ad valorem* property taxes to be levied by the County to pay debt service on the Refunding Bonds.

Proposition 62

A statutory initiative ("**Proposition 62**") was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "**Accountability Act**"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, 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 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 XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K 14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

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 XIIIB 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:

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

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess 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.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the 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 Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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

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 "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to *per capita* personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 1A

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 can not (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-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Application of Constitutional and Statutory Provisions; Recent Lawsuit

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL INFORMATION - State Funding of Education and Recent State Budgets."

On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified, Alpine Union, Del Norte County Unified, Folsom Cordova Unified, Hemet Unified, Porterville Unified, Riverside Unified, San Francisco Unified, and Santa Ana Unified School Districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Maya Robles-Wong, et al. v. State of California*, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance that is intentionally, rationally and demonstrably aligned with the State's prescribed educational program and provides equal access and an equal educational opportunity to all school-aged children in the State. The District cannot predict the outcome of the *Robles-Wong* litigation.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98 and 111 were each adopted as measures that qualified for the ballot under 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.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

December 22, 2010

Board of Trustees
Campbell Union High School District
San Jose, California

OPINION: $35,000,000 Campbell Union High School District (Santa Clara County, California) General Obligation Bonds, Election 2006, Series C

Members of the Board of Trustees:

We have acted as bond counsel to the Campbell Union High School District (the "District") in connection with the issuance by the District of its Campbell Union High School District (Santa Clara County, California) General Obligation Bonds, Election 2006, Series C in the aggregate principal amount of $35,000,000 (the "Bonds"), under Article 4.5 of Chapter 3 of Part 1 of Division 2 of the Government Code (the "Bond Law") and under a resolution of the Board of Trustees of the District adopted on October 21, 2010 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

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

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

1. The District is duly established and validly existing as a high school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution.

2. The Bond Resolution has been duly adopted by the Board of Trustees of the District and constitutes the valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of Santa Clara is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on

individuals and corporations. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX D

SANTA CLARA COUNTY DEMOGRAPHIC INFORMATION

The Bonds are not a debt of the County of Santa Clara. The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for payment of the Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on Bonds at the time such payment is due.

Introduction

Santa Clara County (the "County") covers an area of over 1,300 square miles and is located south of the San Francisco Bay in northern California. There are two distinct valleys in the County, which are referred to as North County and South County. South County has more of an agricultural base and is comprised of only two cities, twenty miles apart from each other. As a contrast, North County is densely populated, heavily industrialized and extensively urbanized. This part of the County is comprised of 13 cities, each adjacent to another. Due to its high concentration of high-technology industries, the northwestern portion of North County is commonly referred to as "Silicon Valley." Several small lakes and reservoirs are scattered across the County and the highest peak can be found in San Jose at Mount Hamilton with an elevation of 4,213 feet. Several major highways serve the County, including Highway 101 providing access to San Francisco and Los Angeles.

The City of San José (the "City") is the eleventh largest city in the United States and the third largest city in California with a January 1, 2008 population estimated at 989,496, according to the California Department of Finance. The territory of the City encompasses approximately 177.3 square miles. Located at the southern end of the San Francisco Bay, the City is the county seat of the County of Santa Clara (the "County").

Having originated as a Spanish pueblo established in 1777, the City is the oldest city in California. From a former rich agricultural setting, San Jose has become the capital of the innovative, high-technology based Silicon Valley - so named for the principal material used in producing semiconductors. During the 1980's and 1990's, the City experienced an economic resurgence with expansion in manufacturing, service, retail and tourist industries. However, the more recent national economic slowdown and the retraction in the telecommunications and technology industries have caused a decline in economic activity in the City.

Population

The following chart indicates the change in population of the City, the County of Santa Clara (the "County") and the State of California during the past five calendar years.

CITY OF SAN JOSE
2006 through 2010 Population Estimates

Calendar Year	City of San Jose	County of Santa Clara	State of California
2006	953,679	1,773,258	37,172,015
2007	972,190	1,805,314	37,559,440
2008	985,307	1,829,480	37,883,992
2009	1,006,846	1,023,083	38,255,508
2010	1,023,083	1,880,876	38,648,090

Source: State of California, Department of Finance, as of January 1.

Employment and Industry

The City occupies the geographic center of Silicon Valley. Most of the industrial land available for development in the County lies within City limits. The City economy is diversified in high technology industry research, development, manufacturing, marketing and management. Development of high technology has been supported by the area's proximity to Stanford University, San Jose State University, Santa Clara University and other institutions of higher education, and such research and development facilities as SRI International (formerly the Stanford Research Institute), the Stanford Linear Accelerator Center and Ames Research Center (NASA).

While the County is known worldwide as "Silicon Valley," the silicon-based semiconductor industry is only a part of the industrial picture. Other industries include information systems, computers, peripherals, instruments, software and a wide array of communication electronics. These industries have all seen retractions in employment beginning in year 2000 and continuing through today.

The City is included in the San Jose Metropolitan Statistical Area (MSA), which includes Santa Clara County. The County civilian labor force figures are shown in the following table. These figures are County-wide and may not necessarily accurately reflect employment trends in the City.

SAN JOSE METROPOLITAN STATISTICAL AREA
Annual Average Labor Force and Industry Employment

	2005	2006	2007	2008	2009
Civilian Labor Force (1)	841,500	850,600	872,700	899,100	902,800
Employment	795,800	811,900	831,300	844,600	802,900
Unemployment	45,700	38,700	41,400	54,500	100,000
Civilian Unemployment Rate	5.4%	4.6%	4.7%	6.1%	11.1%
Wage and Salary Employment: (2)					
Agriculture	6,300	6,200	6,700	6,100	5,700
Natural Resources and Mining	200	300	300	300	200
Construction	44,500	46,800	47,200	44,200	33,900
Manufacturing	164,900	163,700	166,700	168,000	155,700
Wholesale Trade	35,800	38,300	39,800	39,800	35,600
Retail Trade	83,900	85,800	86,400	84,400	78,900
Transportation, Warehousing and Utilities	13,100	13,000	13,500	13,500	12,000
Information	35,300	37,500	39,600	42,300	41,100
Finance and Insurance	21,300	22,100	21,800	20,200	18,700
Real Estate, Rental and Leasing	15,000	15,000	15,300	14,400	13,000
Professional and Business Services	165,800	172,000	178,300	178,900	161,900
Educational and Health Services	96,800	100,400	103,200	107,900	108,100
Leisure and Hospitality	72,800	75,200	76,800	78,100	74,300
Other Services	24,600	24,800	25,100	25,400	24,300
Federal Government	11,300	11,100	11,000	11,000	10,800
State Government	7,400	7,500	7,600	7,500	6,900
Local Government	77,200	77,900	78,500	79,400	80,400
Total All Industries (3)	876,300	897,400	917,900	921,000	861,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

The table below shows the major private and public employers in the City.

MAJOR PRIVATE/PUBLIC EMPLOYERS
(By Number of Employees, 2009)

Company	Type of Business	No. of Employees	Percent of Total Employment
County of Santa Clara	Government	15,360	1.73%
Cisco Systems	Computer Equipment	11,600	1.31
IBM	Computer Equipment	7,460	0.84
City of San Jose*	Government	6,990	0.79
San Jose State University	Education	3,100	0.35
eBay, Inc.	Online Auction	3,000	0.34
Hitachi	Storage Software	2,900	0.33
San Jose Unified School District	Education	2,690	0.30
Xilinx	Semiconductor Equipment	2,340	0.26
Sanmina-SCI	Electronics Manufacturing	2,170	0.24
Kaiser Permanente	Hospitals	2,120	0.24
Adobe Systems Inc.	Computer Software	2,000	0.23
Good Samaritan Hospital	Hospital	1,850	0.21
KLA Tencor	Semiconductor Equipment	1,770	0.20
Cadence Design Systems Inc.	Computer Software	1,560	0.18

(*) Full-time employees.
Source: City of San Jose, Planning, Building & Code Enforcement Department, Finance Department.

The table below shows the major employers in the County as of January 2010.

MAJOR EMPLOYERS
(In Alphabetical Order), January 2010

Employer Name	Location	Industry
Aaa-Affordable Tutoring	Santa Clara	Tutoring
Adobe Systems Inc	San Jose	Publishers-Computer Software (Mfrs)
Advanced Micro Devices Inc	Sunnyvale	Semiconductors & Related Devices (Mfrs)
Apple Inc	Cupertino	Computers-Electronic-Manufacturers
Applied Materials Inc	Santa Clara	Semiconductor Devices (Mfrs)
Avago Technologies Ltd	San Jose	Exporters (Whls)
California's Great America	Santa Clara	Marketing Programs & Services
Christopher Ranch Llc	Gilroy	Garlic (Mfrs)
Cisco Systems Inc	San Jose	Computer Peripherals (Mfrs)
E4e Inc	Santa Clara	Venture Capital Companies
El Camino Hospital	Mountain View	Hospitals
Flextronics International	Milpitas	Solar Energy Equipment-Manufacturers
Fujitsu It Holdings Inc	Sunnyvale	Computers-Wholesale
Fujitsu Ltd	Sunnyvale	Venture Capital Companies
Goldsmith Seeds Inc	Gilroy	Florists-Retail
Hewlett-Packard	Cupertino	Computer & Equipment Dealers
Hp Pavillion At San Jose	San Jose	Stadiums Arenas & Athletic Fields
Intel Corp	Santa Clara	Semiconductor Devices (Mfrs)
Kaiser Permanente Medical Ctr	San Jose	Hospitals
Microsoft Corp	Mountain View	Computer Software-Manufacturers
National Semiconductor Corp	Santa Clara	Semiconductor Devices (Mfrs)
Net App Inc	Sunnyvale	Computers-Electronic-Manufacturers
Oracle	Cupertino	Computer Software-Manufacturers
Santa Teresa Community Hosp	San Jose	Hospitals
V A Medical Ctr-Palo Alto	Palo Alto	Hospitals

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2010 2nd Edition.

Commercial Activity

Total taxable transactions reported in the City during the first three quarters of calendar year 2009 were reported to be $7,545,486,000, a 19.5% decrease over the total taxable transactions of $9,376,969,000 that were reported during the first three quarters of calendar year 2008. A summary of historic taxable sales within the City is shown in the following table. Figures are not yet available for calendar year 2009.

CITY OF SAN JOSÉ
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2004	9,582	$7,946,328	21,532	$11,137,232
2005	9,420	8,427,445	21,026	11,706,693
2006	9,554	8,912,937	20,833	12,270,040
2007	9,271	9,233,692	20,520	12,775,964
2008	9,330	8,536,956	20,461	12,403,677

Source: State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable transactions reported in the County during the first three quarters of calendar year 2009 were reported to be $19,889,099,000, an 18.3% decrease over the total taxable transactions of $24,348,203,000 that were reported during the first three quarters calendar year 2008. A summary of historic taxable sales within the County is shown in the following table. Figures are not yet available for calendar year 2009.

COUNTY OF SANTA CLARA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2004	21,136	$17,724,067	49,955	$28,491,576
2005	20,820	18,903,508	48,903	30,193,802
2006	21,035	20,039,932	48,313	32,273,238
2007	20,480	20,790,258	47,651	33,663,448
2008	20,603	19,313,313	47,253	32,274,306

Source: State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Median Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2005 through 2009.

COUNTY OF SANTA CLARA
EFFECTIVE BUYING INCOME
As of January 1, 2005 through 2009

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2005	City of San Jose	$ 20,649,378	$59,751
	Santa Clara County	46,910,278	63,293
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	City of San Jose	$ 21,714,653	$61,741
	Santa Clara County	49,261,000	65,458
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	City of San Jose	$ 23,089,955	$63,581
	Santa Clara County	52,377,985	67,498
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of San Jose	$ 23,901,065	$65,108
	Santa Clara County	53,987,635	68,929
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of San Jose	$ 25,129,120	$67,504
	Santa Clara County	55,561,405	71,077
	California	844,823,319	49,736
	United States	6,571,536,768	43,252

Source: The Nielsen Company (US), Inc.

Building Permit Activity

The following table shows the number and value of building permits issued in the City during calendar years 2005 through 2009.

CITY OF SAN JOSE
Building Permit Valuation
For Calendar Years 2005 through 2009
(Dollars in Thousands)

	2005	2006	2007	2008	2009
Permit Valuation					
New Single-family	$142,397.8	$103,687.0	$73,543.4	$49,149.8	$16,581.4
New Multi-family	197,554.1	233,397.7	180,285.8	170,898.9	19,036.8
Res. Alterations/Additions	83,271.4	69,743.7	75,060.4	52,284.7	51,000.3
Total Residential	423,223.4	406,828.4	328,889.7	272,333.3	86,618.4
New Commercial	94,193.8	95,900.1	242,967.6	170,424.4	87,514.4
New Industrial	2,886.4	2,422.4	3,200.0	1,249.3	0.0
New Other	47,838.5	60,522.5	57,677.0	42,796.1	18,711.5
Com Alterations/Additions	247,009.0	232,875.1	352,188.6	281,898.8	176,395.4
Total Nonresidential	$391,927.7	$391,720.1	$656,033.1	$496,368.6	$282,621.2
New Dwelling Units					
Single Family	831	650	459	285	81
Multiple Family	2,005	2,377	1,903	1,735	218
TOTAL	2,836	3,027	2,362	2,020	299

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows the number and value of building permits issued in the County during calendar years 2005 through 2009.

COUNTY OF SANTA CLARA
Building Permit Valuation
For Calendar Years 2005 through 2009
(Dollars in Thousands)

	2005	2006	2007	2008	2009
Permit Valuation					
New Single-family	$745,052.7	$683,875.1	$643,374.4	$382,422.9	$245,033.4
New Multi-family	395,690.6	551,145.6	327,006.0	302,104.5	74,466.1
Res. Alterations/Additions	416,269.1	411,924.3	404,730.8	366,601.7	259,190.4
Total Residential	1,557,012.4	1,646,945.0	1,375,111.3	1,051,129.1	578,689.8
New Commercial	299,945.2	394,002.8	666,881.2	489,100.5	215,433.8
New Industrial	10,839.6	63,551.6	60,014.1	48,564.6	0.0
New Other	152,685.0	204,246.1	179,103.1	389,032.4	213,976.4
Com Alterations/Additions	822,243.8	872,389.0	108,225.4	987,854.9	758,365.7
Total Nonresidential	$1,285,713.7	$1,534,189.5	$1,014,223.9	$1,914,552.3	$1,187,775.9
New Dwelling Units					
Single Family	2,577	2,132	2,063	1,254	667
Multiple Family	3,295	4,072	2,520	2,417	450
TOTAL	5,872	6,204	4,583	3,671	1,117

Source: Construction Industry Research Board, Building Permit Summary.

The San Jose area is served by a network of freeways providing regional, national and international access. U.S. 101, a major north-south highway between San Francisco and Los Angeles, provides access to the deepwater seaports at San Francisco and Redwood City, and to air passenger and cargo facilities at Norman Y. Mineta San Jose International Airport and San Francisco International Airport. Interstate 880 connects San Jose with the Oakland International Airport and the Port of Oakland. Interstates 280 and 680 provide access to the peninsula and eastern regions of the San Francisco Bay Area, respectively, and State Route 17 serves to connect San José with the Pacific Coast at Santa Cruz. Additional freeways serving the local area are State Routes 85, 87 and 237.

The light rail transit system operated by the Santa Clara Valley Transportation Authority that connects the northern and southern areas of the City opened in 1989. During 1999 the light rail line was expanded towards the North to serve the cities of Santa Clara, Sunnyvale, and Mountain View. Adding to the existing 30.5-mile light rail system, several expansions to the system are under construction and planned for completion within the next few years. In particular, service along the 6.4-mile Tasman East/Capitol Light Rail

In the November 2000 election, the voters of the County approved a 30-year, half-cent sales tax to commence collection in 2006 upon the expiration of the current one-half cent sales tax. This sales tax will finance various transit projects, including the extension of the Bay Area Rapid Transit (BART) system to the City. BART is a heavy rail rapid transit system currently serving Alameda, Contra Costa, and San Francisco Counties and portions of San Mateo County.

The main coast line of the Union Pacific Railroad traverses the City, providing connections to San Francisco, Oakland, Sacramento and Los Angeles. Commuter rail service operates on this line between Gilroy and San Francisco. The Union Pacific Railroad also operates a branch line in the City serving heavy industry.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Campbell Union High School District (the "District") in connection with the issuance of $35,000,000 aggregate principal amount of General Obligation Bonds, 2006 Election, Series C (the "Bonds"). The Bonds are being issued under a Resolution adopted by the Board of Trustees of the District on October 21, 2010 (the "Bond Resolution"). The District covenants and agrees as follows:

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

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

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means, initially, U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

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

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

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

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing no later than March 31, 2011 with the report for the 2009-10 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the

District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

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

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

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

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

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

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

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

(i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;

(ii) pension plan contributions made by the District for the preceding fiscal year;

(iii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding fiscal year;

(iv) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year;

(v) the District's total revenue limit for the preceding fiscal year;

(vi) prior fiscal year total secured property tax levy and collections, showing current collections as a percent of the total levy; and

(vii) current fiscal year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties.

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

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

Section 5. Reporting of Significant Events.

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

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

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

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

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

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) 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, if material.

(14) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material.

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

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

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

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The District has appointed U.S. Bank National Association as the initial Dissemination Agent under this Disclosure Certificate.

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

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

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

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

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

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

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

Section 10. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 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 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 attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: December 22, 2010

CAMPBELL UNION HIGH SCHOOL DISTRICT

By: ______________________________________
Superintendent

AGREED AND ACCEPTED:

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: ___________________________________

Title: _________________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Campbell Union High School District

Name of Bond Issue: $35,000,000 aggregate principal amount of Campbell Union High School District (Santa Clara County, California) General Obligation Bonds, Election of 2006, Series C

Date of Issuance: December 22, 2010

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.05 of the Resolution of the Board of Trustees of the District under which the Bonds have been issued. The District anticipates that the Annual Report will be filed by _____________.

Dated: __________________

CAMPBELL UNION HIGH SCHOOL DISTRICT

By: ____________________________________
Authorized Officer

Cc: Dissemination Agent

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APPENDIX F

DTC AND THE BOOK-ENTRY SYSTEM

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

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

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

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Bonds"). The Bonds will be issued as fully-registered bonds 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 the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one Bond will be issued with respect to each $500 million of principal amount and an additional Bond will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, 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, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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.

9. A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to

transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

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

11. 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, security Bonds will be printed and delivered to DTC.

12. 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.

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