

*In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Bond Counsel, based on an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Matters."*

**\$6,620,000**

**DIXON UNIFIED SCHOOL DISTRICT**  
Solano County, California  
General Obligation Bonds  
Election of 2002, Series 2005  
(Current Interest Bonds)

**\$9,560,686.20**

**DIXON UNIFIED SCHOOL DISTRICT**  
Solano County, California  
General Obligation Bonds  
Election of 2002, Series 2005  
(Capital Appreciation Bonds)



**Current Interest Bonds Dated: Date of Delivery**  
**Capital Appreciation Bonds Dated: Date of Delivery**

**Due: August 1 as shown on the inside front cover**

The Current Interest Bonds and the Capital Appreciation Bonds (collectively the "Bonds") are issued by the Dixon Unified School District (the "District"), and the Board of Supervisors of Solano County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), for the payment of interest on, and principal of, the Current Interest Bonds, and for the payment of Accreted Value on the Capital Appreciation Bonds, all as more fully described herein under "THE BONDS" and "AD VALOREM PROPERTY TAXATION."

Interest on the Current Interest Bonds is payable semiannually on each February 1 and August 1 commencing February 1, 2006. The Capital Appreciation Bonds will not bear current interest, but will accrete interest, at their stated Bond Yields, as defined herein, commencing on their date of delivery, from their respective Denominational Amounts, as defined herein, to their respective Maturity Values, as defined herein, on their respective maturity dates. See "INTRODUCTION — Definitions Regarding the Bonds". The Bonds, when delivered, will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds as described herein under "THE BONDS — Book-Entry System."

The Current Interest Bonds due on or before August 1, 2012, are not subject to optional redemption; the Current Interest Bonds due on and after August 1, 2013, are subject to optional redemption as described herein. The Capital Appreciation Bonds due on or before August 1, 2015, are not subject to optional redemption; the Capital Appreciation Bonds due on and after August 1, 2016, are subject to optional redemption as described herein. See "THE BONDS — Redemption."

The scheduled payment of principal of and interest on the Current Interest Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **FINANCIAL SECURITY ASSURANCE INC.**



Payment of the denominational amount and interest on the Capital Appreciation Bonds when due will be insured by a financial guaranty insurance policy to be issued by the **FINANCIAL GUARANTY INSURANCE COMPANY** simultaneously with the execution and delivery of the Bonds.



*The following firm, serving as financial advisor to the District, has structured this financing:*



**MATURITY SCHEDULE**  
(on inside front cover)

*The Current Interest Bonds were awarded to Morgan Stanley DW Inc., as Underwriter, pursuant to a public sale on March 22, 2005. The true interest cost under the bid, prior to an adjustment to maturity amounts was 5.058753%. The Capital Appreciation Bonds were awarded to Citigroup Global Markets Inc., as Underwriter, pursuant to a public sale on March 22, 2005. The true interest cost under the bid, prior to an adjustment to maturity amounts, was 5.691970%. The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Kronick, Moskovitz, Tiedemann & Girard, Sacramento, California, Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through DTC in New York, New York, on or about April 5, 2005.*

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.**

**\$6,620,000**  
**CURRENT INTEREST BONDS**  
**MATURITY SCHEDULE**  
**(Base CUSIP<sup>(1)</sup>: 255651)**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP<sup>(1)</sup></u>
2006	\$ 20,000	3.000%	2.300%	DY 4
2007	105,000	3.000	2.500	DZ 1
2008	110,000	3.000	2.700	EA 5
2009	120,000	3.000	2.900	EB 3
2010	140,000	3.000	3.000	EC 1
2011	145,000	3.250	3.250	ED 9
2012	170,000	3.400	3.400	EE 7
2013	180,000	3.600	3.600	EF 4
2014	190,000	3.750	3.750	EG 2
2015	195,000	3.800	3.850	EH 0

\$5,245,000 5.20% Term Bond due August 1, 2044, Yield 4.600% [CUSIP: E J6]<sup>(a)</sup>

**\$9,560,686.20**  
**CAPITAL APPRECIATION BONDS**  
**MATURITY SCHEDULE**  
**(Base CUSIP: 255651)**

<u>Maturity (August 1)</u>	<u>Denominational Amount</u>	<u>Bond Yield</u>	<u>Reoffering Yield</u>	<u>Maturity Value</u>	<u>CUSIP<sup>(1)</sup></u>
2006	\$ 91,690.20	2.700%	100 %	\$ 95,000.00	EK 3
2007	116,915.00	2.900	100	125,000.00	EL 1
2008	81,553.20	11.970	3.050	120,000.00	EM 9
2009	100,007.55	10.399	3.250	155,000.00	EN 7
2010	94,368.65	9.544	3.450	155,000.00	EP 2
2011	96,628.00	9.138	3.700	170,000.00	EQ 0
2012	89,918.10	8.890	3.900	170,000.00	ER 8
2013	89,004.60	8.644	4.000	180,000.00	ES 6
2014	77,190.20	8.651	4.200	170,000.00	ET 4
2015	84,740.85	8.744	4.400	205,000.00	EU 1
2016	277,856.10	4.600	100	465,000.00	EV 9
2017	279,795.25	4.850	100	505,000.00	EW 7
2018	269,318.40	5.000	100	520,000.00	EX 5
2019	264,940.85	5.100	100	545,000.00	EY 3
2020	250,470.00	5.200	100	550,000.00	EZ 0
2021	244,823.50	5.300	100	575,000.00	FA 4
2022	240,378.60	5.400	100	605,000.00	FB 2
2023	220,179.75	5.500	100	595,000.00	FC 0
2024	232,637.40	5.550	100	670,000.00	FD 8
2025	244,117.50	5.600	100	750,000.00	FE 6
2026	247,424.80	5.610	100	805,000.00	FF 3
2027	542,379.30	5.610	100	1,865,000.00	FG 1
2028	547,840.00	5.630	100	2,000,000.00	FH 9
2029	540,285.90	5.640	100	2,090,000.00	FJ 5
2030	378,091.50	5.650	100	1,550,000.00	FK 2
2031	372,794.40	5.660	100	1,620,000.00	FL 0
2032	367,899.75	5.670	100	1,695,000.00	FM 8
2033	362,283.60	5.680	100	1,770,000.00	FN 6
2034	357,013.00	5.690	100	1,850,000.00	FP 1
2035	351,995.85	5.700	100	1,935,000.00	FQ 9
2036	346,329.00	5.710	100	2,020,000.00	FR 7
2037	340,870.50	5.720	100	2,110,000.00	FS 5
2038	334,840.00	5.730	100	2,200,000.00	FT 3
2039	329,728.00	5.740	100	2,300,000.00	FU 0
2040	195,764.50	5.750	100	1,450,000.00	FV 8
2041	177,968.00	5.760	100	1,400,000.00	FW 6
2042	166,341.30	5.770	100	1,390,000.00	FX 4
2043	154,303.10	5.780	100	1,370,000.00	FY 2

<sup>(1)</sup> Copyright 2003, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

<sup>(a)</sup> Price to the August 1, 2012 par call.

**SOLANO COUNTY**

**County Board of Supervisors**

Barbara R. Kondylis  
*Chairwoman, District 1*

John M. Vasquez  
*Vice Chairman District 4*

John Silva  
*District 2*

Duane Kromm  
*District 3*

Michael Reagan  
*District 5*

**DIXON UNIFIED SCHOOL DISTRICT**

**Board of Trustees**

Shana Levine  
*President*

Steve Larson  
*Vice President*

Kim Poole  
*Member*

Alan Hodge  
*Member*

Mike McCluskey  
*Clerk*

**District Administration**

Wally Holbrook  
*Superintendent*

Susan Rinne  
*Chief Business Officer*

**PROFESSIONAL SERVICES**

**Financial Advisor**

Kelling, Northcross & Nobriga  
*A Division of Zions First National Bank  
Oakland, California*

**Bond Counsel**

Kronick, Moskovitz, Tiedemann & Girard  
*a Professional Corporation  
Sacramento, California*

**Paying Agent**

Wells Fargo Bank, National Association  
*San Francisco, California*

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

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

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

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

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

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and APPENDIX F specimen "Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Current Interest Bonds; or (iii) the tax exempt status of the interest on the Current Interest Bonds.

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## OFFICIAL STATEMENT

**\$6,620,000**  
**Dixon Unified School District**  
**Solano County, California**  
**General Obligation Bonds**  
**Election of 2002, Series 2005**  
**(Current Interest Bonds)**

**\$9,560,686.20**  
**Dixon Unified School District**  
**Solano County, California**  
**General Obligation Bonds**  
**Election of 2002, Series 2005**  
**(Capital Appreciation Bonds)**

## INTRODUCTION

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

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of Dixon Unified School District, Solano County, California, General Obligation Bonds, Election of 2002, Series 2005 in the principal amount of \$6,620,000 (the "Current Interest Bonds") and in the Denominational Amount of \$9,560,686.20 (the "Capital Appreciation Bonds"), as described more fully herein.

### **The District**

The Dixon Unified School District (the "District") provides educational services to the residents of the City of Dixon, in Solano County (the "County"), in the State of California (the "State"). More detailed information regarding the area served by the District and the student population of the District may be found under "**DISTRICT INFORMATION**," "**DISTRICT TAX BASE INFORMATION**," and "**ECONOMIC PROFILE**" herein.

### **Sources of Payment for the Bonds**

The Bonds are general obligations of the District. The Board of Supervisors of the County is empowered and is obligated to annually levy ad valorem taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), as necessary for payment of interest on and principal of the Bonds. See "**THE BONDS — Security and Sources of Payment**," "**AD VALOREM PROPERTY TAXATION**" and "**DISTRICT TAX BASE INFORMATION**" herein.

### **Purpose of the Bonds**

The proceeds of Bonds are authorized to be used to acquire a site and build a new high school in Dixon. See "**THE BONDS — Purpose of Issue**."

## **Definitions Regarding the Bonds**

The terms set forth below have the following meanings:

*“Accreted Interest”* means the difference, as of the date of calculation, between the Denominational Amount and its Accreted Value, as these terms are defined below.

*“Accreted Value”* means the calculated value of a Bond upon discounting its Maturity Value semiannually at its Bond Yield to the date of calculation, assuming the Accreted Value increases between semiannual compounding dates on the basis of a 360-day year of twelve 30-day months commencing on the date of delivery. The semiannual compounding dates for calculation of Accreted Value are February 1 and August 1 beginning February 1, 2006. The Accreted Values are shown (per \$5,000 maturity) in the Accreted Value Table(s) in **APPENDIX E** on the semiannual compounding dates and can be interpolated for any date between the dates given by straight line method on a 360-day basis.

*“Bond Yield”* means the yield which discounts the Maturity Value of any Capital Appreciation Bond to its Denominational Amount, as those terms are defined herein (or, stated another way, the yield at which a Capital Appreciation Bond accretes in value from its Denominational Amount to its Maturity Value). Bond Yield is calculated on the basis of a 360-day year of twelve 30-day months and on the basis of semiannual compounding on each February 1 and August 1, beginning on the date of delivery. Bond Yields for the Bonds appear as part of the Accreted Value Table(s) in **APPENDIX E** herein. The Bond Yield is not necessarily the same as the Reoffering Yield, as defined herein.

*“Capital Appreciation Bond”* means a bond, the interest component of which is compounded semiannually and paid at maturity. A Capital Appreciation Bond has a zero stated interest rate, but accretes in value on the basis of its Bond Yield, compounding semiannually, as described herein under “Accreted Value”.

*“Current Interest Bonds”* means the Bonds the interest component of which is payable semiannually on February 1 and August 1, commencing February 1, 2006.

*“Denominational Amount”* means the initial purchase price of any Capital Appreciation Bond at which it is purchased by the Underwriter, as hereinafter defined.

*“Maturity Value”* means the redemption price (or Accreted Value) of any Capital Appreciation Bond on its maturity date.

*“Reoffering Price”* means the price at which a Bond is initially reoffered to the public by the Underwriter.

*“Reoffering Yield,”* for any Capital Appreciation Bond, means the yield which discounts the Maturity Value to its Reoffering Price. Reoffering Yield is calculated on the basis of a 360-day year of twelve 30-day months discounted semiannually on February 1 and August 1. The Reoffering Yield is not necessarily the same as the Bond Yield, as defined herein. Reoffering Yields on the Capital Appreciation Bonds appear on the inside cover page hereof and in **APPENDIX E** herein.

## **Authority for Issuance of the Bonds**

The Bonds are issued pursuant to certain provisions of the State of California Government Code (the “Government Code”) and other applicable law, and pursuant to resolutions adopted by the Board of



Education of the District and the Board of Supervisors of the County. See “**THE BONDS — Authority for Issuance**” herein.

### **Description of the Bonds**

*Form, Denomination and Registration.* The Bonds will be issued in fully registered form only, without coupons, and will be in denominations of \$5,000 each for the Current Interest Bonds, dated as of the Delivery Date, and in Denominational Amounts corresponding to \$5,000 Maturity Value each for the Capital Appreciation Bonds, or in any integral multiples thereof, except that one Capital Appreciation Bond may be issued in an odd Maturity Value, dated as of the Delivery Date, and will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. So long as DTC, or Cede & Co., as its nominee, is the registered owner of all the Bonds, payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined herein) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined herein) will be the responsibility of the DTC Participants, as more fully described hereinafter. See “**THE BONDS — Description of the Bonds,**” “**Book-Entry System**” and “**— Discontinuation of Book-Entry System; Payment to Beneficial Owners**” herein.

*Interest Payments and Interest Compounding.* Interest on the Current Interest Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2006, from the Dated Date of Delivery, calculated on the basis of a 360-day year consisting of twelve 30-day months. The Capital Appreciation Bonds will not bear current interest, but will accrete interest, at their respective Bond Yields, commencing on their date of delivery, from their respective Denominational Amounts to their respective Maturity Values on their respective maturity dates. See “**THE BONDS**” herein.

*Payment of Principal and Accreted Value.* Principal of the Current Interest Bonds and Accreted Value of the Capital Appreciation Bonds, comprising both principal and interest, is payable on August 1 in each year due, as set forth on the inside cover page hereof. See “**THE BONDS**” herein.

*Optional Redemption.* The Current Interest Bonds maturing on and after August 1, 2013, may be redeemed prior to maturity at the option of the District beginning August 1, 2012. The Capital Appreciation Bonds maturing on and after August 1, 2016, may be redeemed prior to maturity at the option of the District beginning on August 1, 2015. See “**THE BONDS — Redemption**” herein.

### **Bond Insurance**

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate insurance policies to be issued concurrently with the delivery of the Current Interest Bonds by Financial Security Assurance, Inc. (“FSA”) and concurrently with the delivery of the Capital Appreciation Bonds by Financial Guaranty Insurance Company (“FGIC”). See “**FINANCIAL SECURITY BOND INSURANCE**” and “**FINANCIAL GUARANTY BOND INSURANCE**” herein.

### **Tax Matters**

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, based upon an analysis of existing statutes, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal

income tax purposes and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “**LEGAL MATTERS — Tax Matters**” herein.

### **Professionals Involved in the Offering**

With respect to the Bonds, Kelling, Northcross & Nobriga, A Division of Zions First National Bank, Oakland, California, is the District's financial advisor (the “Financial Advisor”) (see “**MISCELLANEOUS — Financial Advisor**” herein) and Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California is the District's bond counsel (the “Bond Counsel”). Wells Fargo Bank, National Association, San Francisco, California will act as paying agent, registrar and transfer agent (the “Paying Agent”) with respect to the Bonds. The Financial Advisor, Bond Counsel, and Paying Agent will receive compensation from the District contingent upon the sale and delivery of the Bonds.

### **Offering and Delivery of the Bonds**

The Bonds will be offered when, as and if issued by the District and received by the CIBs Underwriter and the CABs Underwriter, respectively, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through DTC in New York, New York on or about April 5, 2005.

### **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 Bonds are available from the Business Office, Dixon Unified School District, 180 South First Street, Suite 6, Dixon, CA 95620-2702 (707) 678-5582. The District may impose a charge for copying, mailing and handling. See also “**MISCELLANEOUS — Continuing Disclosure**” herein.

**END OF INTRODUCTION**

## THE BONDS

### Authority for Issuance

The Bonds are issued under the provisions of Article 4.3 of Chapter 3 of Division 1 of Title 5 of the Government Code of the State (the "Act") and other applicable law, and pursuant to resolutions adopted by the Board of Education of the District on March 3, 2005 and by the Board of Supervisors of the County on March 1, 2005 (collectively, the "Resolution").

The District received authorization to issue \$29.2 million of bonds at an election held on November 5, 2002, by an affirmative vote of 67.0% of the votes cast (the "Authorization"). A 55% vote in favor was required. The Bonds represent the second series issued under the Authorization.

The District has issued bonds under previous authorizations, see "**DISTRICT INFORMATION — District Debt,**" herein.

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### DIXON UNIFIED SCHOOL DISTRICT Bonds Issued Under the Authorization

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<u>Delivery Date</u>	<u>Series</u>	<u>Amount of Original Issue</u>	<u>Outstanding March 24, 2005</u>
April 1, 2003	General Obligation Bonds Election of 2002, Series 2003	\$10,000,000	\$9,840,000

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### Purpose of Issue

Net proceeds of the Bonds are authorized to be used to acquire a site and build a new high school in Dixon.

## Sources and Deposits of Funds

Upon delivery of the Bonds, the proceeds of the Bonds will be deposited in such funds or used for such purposes as described in the table below.

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### DIXON UNIFIED SCHOOL DISTRICT Sources And Deposits of Funds

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Sources of Funds:	
Principal Amount of Current Interest Bonds (CIB)	\$ 6,620,000.00
Denominational Amount of Capital Appreciation Bonds (CAB)	9,560,686.20
Original Issue Premium CIB	195,425.85
Original Issue Premium CAB	<u>297,750.00</u>
Total Sources	<u>\$16,673,862.05</u>
Uses of Funds:	
County Held Funds	
Building Fund	\$16,180,686.20
Cost of Issuance Account funded by CIB Underwriter <sup>(a)</sup>	123,000.00
Retained by CIB Underwriter <sup>(b)</sup>	72,425.85
Retained by CAB Underwriter <sup>(b)</sup>	<u>297,750.00</u>
Total Uses	<u>\$16,673,862.05</u>

<sup>(a)</sup> Includes estimated fees and expenses for financial advisor, bond counsel, rating agencies, printing and distribution of the official statement, Paying Agent, and miscellaneous costs of issuance.

<sup>(b)</sup> Includes bond insurance premium.

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## Investment of Bond Proceeds

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, shall be paid to the County to the credit of the building fund of the District (the "Building Fund") and shall be accounted for separately from all other District and County funds, but may be commingled with the proceeds of sale of other bonds of the District deposited in the Building Fund and authorized to be used for the same purpose. The proceeds shall be used only for the purposes for which the Bonds are authorized. The accrued interest and any premium received from the sale of the Bonds shall be deposited in the Tax Collection Fund of the District maintained by the County, and transferred by the County to the Paying Agent for deposit into the District's Debt Service Fund for payments of principal of and interest on the Bonds. Interest earned on the investment of monies held in the Debt Service Fund shall be retained in the Debt Service Fund. Interest earned on the investment of monies held in the Building Fund shall be retained in the Building Fund.

Monies in the Building Fund and the Debt Service Fund shall be invested in any one or more investments generally permitted to school districts under the laws of the State, consistent with County investment policy. The Board of Education has delegated to the County Treasurer, pursuant to Section 53607 of the Government Code, its authority under Section 41015 of the Education Code and Section 53601 of the Government Code to invest proceeds of the Bonds held in the Treasury of the County. See **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — County Investment Pool"** herein and **"APPENDIX D — EXCERPTS FROM THE SOLANO COUNTY INVESTMENT PORTFOLIO REPORT"**.

## Security and Sources of Payment

The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, as necessary for payment of interest on and principal of the Bonds, upon all property within the District (except certain personal property which is taxable at limited rates). Such taxes, when collected, will be placed by the County in the Tax Collection Fund.

The rate of the *ad valorem* tax will be set annually by the County based on the assessed value of taxable property in the District and the debt service requirement on the outstanding bonds in each year. Variation in the annual debt service requirement and changes in assessed valuation within the District may cause the annual tax rate to change from year to year. For further information regarding *ad valorem* property taxation in general, see "**AD VALOREM PROPERTY TAXATION**" and within the District in particular, see "**DISTRICT TAX BASE INFORMATION**" herein.

## Description of the Bonds

The Current Interest Bonds in the aggregate principal amount of \$6,620,000 will be dated the date of delivery and will bear interest payable semiannually each February 1 and August 1 (each an "Interest Payment Date"), commencing February 1, 2006, at the interest rates shown on the cover hereof. The Bonds will mature on August 1 in each of the years and in the principal amounts shown on the cover page hereof. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond authenticated on or before January 15, 2006, shall bear interest from the date of the Bonds. Each Bond authenticated during the period between the 15th day of the month preceding any Interest Payment Date (the "Record Date") and that Interest Payment Date shall bear interest from that Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. The Bonds will be issued in the denomination of \$5,000 principal amount each or any integral multiple thereof.

The Capital Appreciation Bonds will be dated as of their date of delivery and will be issued in the aggregate Denominational Amount of \$9,560,686.20. The Capital Appreciation Bonds will not bear current interest, but will accrete interest, at their respective Bond Yields, commencing on their date of delivery from their respective Denominational Amounts to their respective Maturity Values on their respective maturity dates. Interest will be calculated on the basis of a 360-day year of twelve 30-day months, and will accrete in equal daily amounts during each annual period. The Capital Appreciation Bonds will mature in each of the years and at the Maturity Values set forth on the cover page hereof. The Capital Appreciation Bonds will be issued as fully-registered bonds, without coupons, and will be in Denominational Amounts corresponding to \$5,000 Maturity Value each for the Capital Appreciation Bonds or in any integral multiple thereof; provided that one Capital Appreciation Bond for each maturity may be issued in an odd Maturity Value, provided that no Capital Appreciation Bond shall have Maturity Value maturing on more than one maturity date.

The Bonds when issued will be registered in the name of Cede & Co., as registered owner and nominee of DTC. So long as DTC, or Cede & Co., as its nominee, is the registered owner of all the Bonds, principal and interest payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined below) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined below) will be the responsibility of the DTC Participants, as more fully described below under "**Book-Entry System.**" Only if the Bonds should cease to be paid through a book-entry system would the Paying Agent make payments on the Bonds

directly to Beneficial Owners, as registered owners of the Bonds, as more fully described below under “Discontinuation of Book-Entry System; Payment to Beneficial Owners.”

### **Book-Entry System**

*The information in this section concerning DTC and DTC’s book-entry system has been furnished by DTC for use in disclosure documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC will distribute to Direct Participants, or that Direct Participants or Indirect Participants will distribute to the Beneficial Owners, payments of principal of, interest, and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the District nor the County nor the Paying Agent are responsible or liable for the failure of DTC or any Direct or Indirect Participant to make any payments or give any notice to a Beneficial Owner or any error or delay relating thereto. Accordingly, no representations can be made concerning these matters and neither the Direct nor Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

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

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 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, 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](http://www.dtcc.com).

Purchases of the 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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 DTC 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.

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 the 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 notices be provided directly to them.

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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent, or the County, 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 County or the Paying Agent, disbursement of such payments to Direct Participants

will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The County may decide to discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

### **Payment to Holders**

*The following provisions governing the payment, transfer and exchange of the Bonds apply to holders of the Bonds. As long as the DTC book-entry system described above is in effect, Cede & Co., or such other nominee of DTC, but not the Beneficial Owners, are holders of the Bonds. Only in the event that Bonds are printed and delivered to the Beneficial Owners do these provisions then apply directly to Beneficial Owners as holders of the Bonds.*

Principal of the Bonds and any premium upon the redemption thereof prior to the maturity will be payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Paying Agent, or such other location as the Paying Agent may specify. Interest shall be paid by check to the owner of any Bond at the address of such owner shown on the registration books of the Paying Agent, or at such other address the owner of the Bond has filed with the Paying Agent for such purpose on or before the Record Date. Owners of not less than \$1,000,000 in principal amount of Bonds may, by written request received by the Paying Agent not later than the Record Date immediately preceding any Interest Payment Date, have interest payments made on the date due by wire transfer to an account maintained in the United States of America in immediately available funds.

Any Bond may be exchanged for Bonds of any authorized denominations of the same maturity and interest rate upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at the principal corporate trust office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the designated District official shall execute, and the Paying Agent shall authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the registered owner or by a person legally empowered to do so, equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

The Paying Agent will not be required to exchange or transfer any Bond during the period from the close of business on the applicable Record Date next preceding any Interest Payment Date or redemption date, to and including such Interest Payment Date or redemption date.



## Debt Service

Annual debt service obligations for the Bonds, assuming that no optional redemptions are made, are as follows:

### DIXON UNIFIED SCHOOL DISTRICT Annual Debt Service

Bond Year	Outstanding Debt Service <sup>(a)</sup>	Current Interest Bonds			Capital Appreciation Bonds			Total Bond Year Debt Service
		Principal	Interest	Debt Service	Denominational Amount	Accreted Interest	Maturity Value	
8/1/2005	\$ 788,193.76							\$ 788,193.76
8/1/2006	439,693.76	\$ 20,000	\$ 421,917.81	\$ 441,917.81	\$ 91,690.20	\$ 3,309.80	\$ 95,000.00	976,611.57
8/1/2007	494,693.76	105,000	318,497.50	423,497.50	116,915.00	8,085.00	125,000.00	1,043,191.26
8/1/2008	523,318.76	110,000	315,347.50	425,347.50	81,553.20	38,446.80	120,000.00	1,068,666.26
8/1/2009	550,768.76	120,000	312,047.50	432,047.50	100,007.55	54,992.45	155,000.00	1,137,816.26
8/1/2010	577,318.76	140,000	308,447.50	448,447.50	94,368.65	60,631.35	155,000.00	1,180,766.26
8/1/2011	607,425.00	145,000	304,247.50	449,247.50	96,628.00	73,372.00	170,000.00	1,226,672.50
8/1/2012	635,225.00	170,000	299,535.00	469,535.00	89,918.10	80,081.90	170,000.00	1,274,760.00
8/1/2013	671,625.00	180,000	293,755.00	473,755.00	89,004.60	90,995.40	180,000.00	1,325,380.00
8/1/2014	736,225.00	190,000	287,275.00	477,275.00	77,190.20	92,809.80	170,000.00	1,383,500.00
8/1/2015	752,825.00	195,000	280,150.00	475,150.00	84,740.85	120,259.15	205,000.00	1,432,975.00
8/1/2016	752,768.76		272,740.00	272,740.00	277,856.10	187,143.90	465,000.00	1,490,508.76
8/1/2017	767,093.76		272,740.00	272,740.00	279,795.25	225,204.75	505,000.00	1,544,833.76
8/1/2018	815,181.26		272,740.00	272,740.00	269,318.40	250,681.60	520,000.00	1,607,921.26
8/1/2019	854,993.76		272,740.00	272,740.00	264,940.85	280,059.15	545,000.00	1,672,733.76
8/1/2020	916,587.50		272,740.00	272,740.00	250,470.00	299,530.00	550,000.00	1,739,327.50
8/1/2021	958,687.50		272,740.00	272,740.00	244,823.50	330,176.50	575,000.00	1,806,427.50
8/1/2022	997,637.50		272,740.00	272,740.00	240,378.60	364,621.40	605,000.00	1,875,377.50
8/1/2023	1,083,437.50		272,740.00	272,740.00	220,179.75	374,820.25	595,000.00	1,951,177.50
8/1/2024	1,082,237.50		272,740.00	272,740.00	232,637.40	437,362.60	670,000.00	2,024,977.50
8/1/2025	1,078,675.00		272,740.00	272,740.00	244,117.50	505,882.50	750,000.00	2,101,415.00
8/1/2026	1,107,750.00		272,740.00	272,740.00	247,424.80	557,575.20	805,000.00	2,185,490.00
8/1/2027	52,625.00		272,740.00	272,740.00	542,379.30	1,322,620.70	1,865,000.00	2,190,365.00
8/1/2028			272,740.00	272,740.00	547,840.00	1,452,160.00	2,000,000.00	2,272,740.00
8/1/2029			272,740.00	272,740.00	540,285.90	1,549,714.10	2,090,000.00	2,362,740.00
8/1/2030			272,740.00	272,740.00	378,091.50	1,171,908.50	1,550,000.00	1,822,740.00
8/1/2031			272,740.00	272,740.00	372,794.40	1,247,205.60	1,620,000.00	1,892,740.00
8/1/2032			272,740.00	272,740.00	367,899.75	1,327,100.25	1,695,000.00	1,967,740.00
8/1/2033			272,740.00	272,740.00	362,283.60	1,407,716.40	1,770,000.00	2,042,740.00
8/1/2034			272,740.00	272,740.00	357,013.00	1,492,987.00	1,850,000.00	2,122,740.00
8/1/2035			272,740.00	272,740.00	351,995.85	1,583,004.15	1,935,000.00	2,207,740.00
8/1/2036			272,740.00	272,740.00	346,329.00	1,673,671.00	2,020,000.00	2,292,740.00
8/1/2037			272,740.00	272,740.00	340,870.50	1,769,129.50	2,110,000.00	2,382,740.00
8/1/2038			272,740.00	272,740.00	334,840.00	1,865,160.00	2,200,000.00	2,472,740.00
8/1/2039			272,740.00	272,740.00	329,728.00	1,970,272.00	2,300,000.00	2,572,740.00
8/1/2040		950,000	272,740.00	1,222,740.00	195,764.50	1,254,235.50	1,450,000.00	2,672,740.00
8/1/2041		1,150,000	223,340.00	1,373,340.00	177,968.00	1,222,032.00	1,400,000.00	2,773,340.00
8/1/2042		1,330,000	163,540.00	1,493,540.00	166,341.30	1,223,658.70	1,390,000.00	2,883,540.00
8/1/2043		1,530,000	94,380.00	1,624,380.00	154,303.10	1,215,696.90	1,370,000.00	2,994,380.00
8/1/2044		285,000	14,820.00	299,820.00				299,820.00
<b>Total</b>	<b>\$17,020,890.72</b>	<b>\$6,620,000</b>	<b>\$10,455,800.31</b>	<b>\$17,075,800.31</b>	<b>\$9,560,686.20</b>	<b>\$29,184,313.80</b>	<b>\$38,745,000.00</b>	<b>\$73,065,787.91</b>

<sup>(a)</sup> See "District Information – District Debt" for description of other outstanding bonds of the District.

## Redemption

### *Optional Redemption*

The Current Interest Bonds maturing on or before August 1, 2012 are not subject to optional redemption. Current Interest Bonds maturing on and after August 1, 2013 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 2012 at the optional redemption prices set forth below. If less than all of the Current Interest Bonds are called for redemption, such Current Interest Bonds shall be redeemed as directed by the District, and by lot within a maturity.

<u>Redemption Date</u>	<u>Redemption Price</u>
August 1, 2012 and thereafter	100%

The Capital Appreciation Bonds maturing on or before August 1, 2015, are not subject to optional redemption. Capital Appreciation Bonds maturing on and after August 1, 2016, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 2015, at the optional redemption prices set forth below. If less than all of the Capital Appreciation Bonds are called for redemption, such Capital Appreciation Bonds shall be redeemed as directed by the District, and by lot within a maturity.

<u>Redemption Date</u>	<u>Redemption Price</u>
August 1, 2015 and thereafter	102%

### *Mandatory Sinking Fund Redemption for Current Interest Bonds*

The Term Bond maturing on August 1, 2044, shall be subject to redemption prior to its stated maturity, in part by lot, from mandatory sinking fund payments in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium:

<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 2040	\$ 950,000
August 1, 2041	1,150,000
August 1, 2042	1,330,000
August 1, 2043	1,530,000
August 1, 2044	285,000

The principal amount of each mandatory sinking fund payment of any maturity shall be reduced proportionately by the amount of any bonds of that maturity optionally redeemed prior to the mandatory sinking fund payment date.

### *Effect of Notice of Redemption*

The actual receipt by the registered owner of any Bond or any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption. The owners of Bonds so called for redemption after the redemption date shall no longer be entitled to the levy of taxes

for payment of such obligations, but shall instead look for the payment of principal, interest and redemption premium only to the Debt Service Fund or the escrow fund established for such purpose.

#### *Right to Rescind Notice*

The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption funds are not available in the interest and sinking fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

#### *Defeasance*

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations for which the faith and credit of the United States of America are pledged for the payment of principal and interest, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Debt Service Fund of the District, be fully sufficient, in the opinion of a certified public accountant licensed to practice in the State of California, to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

## **BOND INSURANCE**

### **Financial Security Assurance Inc.**

#### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. (“Financial Security”) will issue its Municipal Bond Insurance Policy for the Current Interest Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Current Interest Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

#### **Financial Security Assurance Inc.**

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. (“Holdings”). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2004, Financial Security's total policyholders' surplus and contingency reserves were approximately \$2,255,933,000 and its total unearned premium reserve was approximately \$1,561,771,000 in accordance with statutory accounting practices. At September 30, 2004, Financial Security's total shareholder's equity was approximately \$2,612,989,000 and its total net unearned premium reserve was approximately \$1,286,985,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Current Interest Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Current Interest Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Current Interest Bonds or the advisability of investing in the Current Interest Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

## **Financial Guaranty**

*Financial Guaranty has supplied the following information for inclusion in this Official Statement. No representation is made by the issuer or the underwriter as to the accuracy or completeness of this information.*

### **Payments Under the Policy**

Concurrently with the issuance of the Capital Appreciation Bonds, Financial Guaranty Insurance Company doing business in California as FGIC Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Capital Appreciation Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Capital Appreciation Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Capital Appreciation Bonds (the "Issuer"). Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal, accreted value or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received notice (in accordance with the terms of the Policy) from an owner of Capital Appreciation Bonds or the trustee or paying agent (if any) of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Capital Appreciation Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Capital Appreciation Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Capital Appreciation Bond which has been recovered from such owner

pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Policy is non-cancellable by Financial Guaranty. The Policy covers failure to pay principal (or accreted value, if applicable) of the Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Policy also covers the failure to pay interest on the stated date for its payment. In the event that payment of the Bonds is accelerated, Financial Guaranty will only be obligated to pay principal (or accreted value, if applicable) and interest in the originally scheduled amounts on the originally scheduled payment dates. Upon such payment, Financial Guaranty will become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and will be fully subrogated to all of the Bondholder's rights thereunder.

The Policy does not insure any risk other than Nonpayment by the Issuer, as defined in the Policy. Specifically, the Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal (or accreted value, if applicable) or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any.

As a condition of its commitment to insure Bonds, Financial Guaranty may be granted certain rights under the Bond documentation. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The Policy is not covered by the California Insurance Guaranty Association (California Insurance Code, Article 14.2).

### **Financial Guaranty Insurance Company**

Financial Guaranty, a New York stock insurance corporation, is a direct, wholly-owned subsidiary of FGIC Corporation, a Delaware corporation, and provides financial guaranty insurance for public finance and structured finance obligations. Financial Guaranty is licensed to engage in financial guaranty insurance in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico and, through a branch, in the United Kingdom.

On December 18, 2003, an investor group consisting of The PMI Group, Inc. ("PMI"), affiliates of The Blackstone Group L.P. ("Blackstone"), affiliates of The Cypress Group L.L.C. ("Cypress") and affiliates of CIVC Partners L.P. ("CIVC") acquired FGIC Corporation (the "FGIC Acquisition") from a subsidiary of General Electric Capital Corporation ("GE Capital"). PMI, Blackstone, Cypress and CIVC acquired approximately 42%, 23%, 23% and 7%, respectively, of FGIC Corporation's common stock. FGIC Corporation paid GE Capital approximately \$284.3 million in pre-closing dividends from the proceeds of dividends it, in turn, had received from Financial Guaranty, and GE Capital retained approximately \$234.6 million in liquidation preference of FGIC Corporation's convertible participating preferred stock and approximately 5% of FGIC Corporation's common stock. Neither FGIC Corporation

nor any of its shareholders is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Policy, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where it is domiciled, including Article 69 of the New York Insurance Law ("Article 69"), a comprehensive financial guaranty insurance statute. Financial Guaranty is also subject to the insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction, but generally require insurance companies to maintain minimum standards of business conduct and solvency, to meet certain financial tests, to comply with requirements concerning permitted investments and the use of policy forms and premium rates and to file quarterly and annual financial statements on the basis of statutory accounting principles ("SAP") and other reports. In addition, Article 69, among other things, limits the business of each financial guaranty insurer, including Financial Guaranty, to financial guaranty insurance and certain related lines.

For the years ended December 31, 2004, and December 31, 2003, Financial Guaranty had written directly or assumed through reinsurance, guaranties of approximately \$59.5 billion and \$42.4 billion par value of securities, respectively (of which approximately 56% and 79%, respectively, constituted guaranties of municipal bonds), for which it had collected gross premiums of approximately \$323.6 million and \$260.3 million, respectively. For the year ended December 31, 2004, Financial Guaranty had reinsured, through facultative and excess of loss arrangements, approximately 2.3% of the risks it had written.

As of December 31, 2004, Financial Guaranty had net admitted assets of approximately \$3.116 billion, total liabilities of approximately \$1.943 billion, and total capital and policyholders' surplus of approximately \$1.173 billion, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

The audited financial statements of Financial Guaranty as of December 31, 2004, and the audited financial statements of Financial Guaranty as of December 31, 2003, which have been filed with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading "**BOND INSURANCE**," or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of Financial Guaranty (if any) included in documents filed by Financial Guaranty with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

Financial Guaranty also prepares quarterly and annual financial statements on the basis of generally accepted accounting principles. Copies of Financial Guaranty's most recent GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty's telephone number is (212) 312-3000.

## **Financial Guaranty's Credit Ratings**

The financial strength of Financial Guaranty is rated "AAA" by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., "Aaa" by Moody's Investors Service, and "AAA" by Fitch Ratings. Each rating of Financial Guaranty should be evaluated independently. The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of Financial Guaranty. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. Financial Guaranty does not guarantee the market price or investment value of the Bonds nor does it guarantee that the ratings on the Bonds will not be revised or withdrawn.

**Neither Financial Guaranty nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to Financial Guaranty or the Policy under the heading "BOND INSURANCE." In addition, Financial Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds.**

## ***AD VALOREM* PROPERTY TAXATION**

*The information in this section describes how ad valorem property taxes in general are assessed and levied. For specific information on the property tax base, tax levies and collections in the District, see "DISTRICT TAX BASE INFORMATION" herein.*

### **County Services**

School districts within each county use the services of that county for the assessment and collection of property taxes for district purposes. District property taxes, including the *ad valorem* property tax for payment of the Bonds, are assessed and collected by the county at the same time and on the same rolls as county, special district and city property taxes.

### **Assessed Valuation**

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

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and other property having a tax lien on real property which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property

comprises all other taxable property. Unsecured property is assessed on the “unsecured roll.” Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer. Valuation of secured property and a statutory tax lien is established as of January 1 prior to the tax year (the tax year is the July 1 – June 30 fiscal year of the State) of the related tax levy, and the secured and unsecured tax rolls are certified on or before July 1 of the tax year by the County Assessor. New property and improvements are assessed and added to a “supplemental” roll during the year acquired or when improvements are completed, and such property is taxed at the secured or unsecured rate then in effect, as appropriate, for the remaining portion of that year. The next year and thereafter such assets are assessed on the regular tax rolls.

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

See “**DISTRICT TAX BASE INFORMATION**” herein for a history of assessed valuation and a list of the largest secured tax payers for the current tax year within the District.

### **State-Assessed Utility Property**

The Constitution provides that the State Board of Equalization (the “SBE”) rather than counties assess certain property owned or used by regulated utilities. Such property is grouped and assessed by the SBE as “going concern” operating units, which may cross local tax jurisdiction boundaries, rather than as individual parcels of real or personal property separately assessed. Such utility property is known as “unitary property.” The SBE assesses property at “fair market value,” determined by various methods and formulae depending on the nature of the property, except that certain railroad property is assessed at a specified percentage of the fair market value determined by the SBE, in conformity with federal law. The SBE assesses values as of January 1 prior to the tax year of the related tax levy. Property tax on SBE-assessed property is then levied and collected by each county in the same manner as county assessed property, but at special county-wide tax rates, and distributed to each taxing agency within that county, subject to certain adjustments, according to the approximate percentage allocated to each taxing agency in the prior year.

Ongoing changes in the California electric utility industry structure and in the way in which components of that industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may cause property that had been assessed by the SBE to be assessed locally instead. A change in property status from assessment by the SBE to assessment locally or the reverse may result in a change in property tax revenue received by local agencies and an adjustment in *ad valorem* tax rates and debt capacity for any local agency general obligation bonds.

### **Tax Levies, Collections and Delinquencies**

Secured property tax rates are set annually by the first business day of September for the levy of property taxes in that tax year. The levy is payable in two equal installments due November 1 and February 1, and payments become delinquent if not postmarked or paid by end of the business day on December 10 and April 10, respectively. Taxes on unsecured property (personal property and leasehold interests) are levied at the preceding fiscal year's secured tax rate and have a due date set by each county



effectively no earlier than July 1 and no later than July 31 of each year. Taxes on unsecured property become delinquent if not postmarked or paid by the end of the business day on August 31, or if added to the unsecured roll after July 31, become delinquent at the end of the month succeeding the month of enrollment.

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll for which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale at auction by the County Tax Collector.

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

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

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

### **Teeter Plan**

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code, each participating local agency levying secured property taxes, including school districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

The Teeter Plan applies to the 1% general purpose property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county. The County does apply the Teeter Plan to secured tax levy collections

for the bonds. See “**DISTRICT TAX BASE INFORMATION — Secured Tax Charges and Delinquencies**” herein for a history of property tax collections and delinquencies in the District.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS**

*The information in this section concerning certain provisions of Articles XIII A, XIII B, XIII C and XIII D of the State constitution, Propositions 98 and 111 and certain other law is provided as supplementary information only, to outline the principal constitutional and statutory laws under which the operating revenue and finances of K-12 school districts in the State are determined. The tax for the Bonds was approved in conformity with all applicable constitutional and statutory limitations. For specific financial information on the District, see “**DISTRICT INFORMATION**” herein.*

### **Article XIII A**

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

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

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

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency claims, if any, on tax increment and

subject to changes in organization, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

### **Article XIII B**

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

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

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

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

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

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

### **Propositions 98 and 111**

On November 8, 1988 the voters approved Proposition 98, an initiative constitutional amendment and statute called "The Classroom Instructional Improvement and Accountability Act"

("Proposition 98"). In addition to adding certain provisions to the Education Code, Proposition 98 also amended Article XIII B and Section 8 of Article XVI of the Constitution and added Section 8.5 of Article XVI to the Constitution, the effects of which are to establish a minimum level of State funding for school districts, to allocate to school districts, within limits, State revenues in excess of the State's appropriations limit and to exempt such excess funds from school district appropriations limits.

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

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

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

- (a) *State Funding of Schools (Section 8)*. Monies to be applied by the State for the support of school districts must be at a level equal to the greater of the following "tests":
  - (i) The amount which, as a percentage of the State general fund revenues which may be appropriated pursuant to Article XIII B, equals the percentage of general fund revenues appropriated for school districts in fiscal year 1986/87;
  - (ii) The amount actually appropriated to school districts in the prior fiscal year from general fund proceeds and from allocated local proceeds of taxes (excluding any excess state revenues allocated pursuant to Section 8.5), adjusted for changes in enrollment and for the change in the cost of living (operative only in a fiscal year in which the percentage growth in California per capita personal income is less than or equal to the percentage growth in per capita general fund revenues plus one-half of one percent);
  - (iii) The amount actually appropriated to school districts in the prior fiscal year from general fund proceeds and from allocated local proceeds of taxes (excluding any excess State revenues allocated pursuant to Section 8.5) adjusted for changes in enrollment and for the change in per capita general fund revenues, and, in addition, an amount equal to one-half of one percent times the prior year appropriations (excluding any excess State revenues) adjusted for changes in enrollment (operative only in a fiscal year in which the percentage growth in California per capita personal income is greater than the percentage growth in per capita general fund revenues plus one-half of one percent).

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

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

- (b) *Allocations to the State School Fund (Section 8.5)*. In addition to the amounts applied to school districts under the tests discussed above, the State Controller is directed to allocate available excess State revenues (pursuant to Article XIII B) to the State School Fund.

However, no such allocation is required at any time that the Director of Finance and the Superintendent of Public Instruction mutually determine that current annual expenditures per student equal or exceed the average annual expenditures per student of the 10 states with the highest annual expenditures per student and the average class size equals or is less than the average class size of the 10 states with the lowest class size.

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

### **Articles XIII C and XIII D**

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

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

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

Article XIII D deals with assessments and property-related fees and charges. Article XIII D explicitly provides that nothing in Article XIII C or XIII D shall be construed to affect laws existing prior to enactment of Articles XIII C and XIII D relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by a school district.

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

## **Future Initiatives**

Articles XIII A, XIII B, XIII C and XIII D and Propositions 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting school districts' revenues or ability to expend revenues.

## **GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION**

*The information in this section concerning funding procedures of K-12 school districts in the State is provided as supplementary information only. For specific financial information on the District, see "DISTRICT INFORMATION" herein.*

### **State Funding of School Districts**

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

The calculation of the amount of State apportionment a school district is entitled to receive each year is summarized as follows: first, the prior year Statewide revenue limit per A.D.A. is recalculated with certain adjustments for equalization and other factors; second, this adjusted prior year Statewide revenue limit per A.D.A. is inflated according to formulas based on the implicit price deflator for government goods and services and the Statewide average revenue limit per A.D.A. for each type of A.D.A., yielding the school district's current year "component" revenue limits per A.D.A.; third, the current year component revenue limits per A.D.A. are applied to the school district's A.D.A. for either the current or prior year, as the district elects; fourth, revenue limit adjustments known as "add-ons" are calculated for each school district if the school district qualifies for such add-ons (for example, add-ons to adjust for small school district size and providing meals for needy pupils, among others); and fifth, local property tax revenues are deducted from the total revenue limit calculated for each district to arrive at the amount of State apportionment each school district is entitled to for the current year.

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

See “**DISTRICT INFORMATION**” herein for the District's specific annual revenue limit per A.D.A.

### **Basic Aid Districts**

In the event that a school district's property tax revenue exceeds its calculated revenue limit entitlement, that school district retains all of its property tax revenue, and State apportionments to that district are limited to the minimum “basic aid” amount of \$120 per A.D.A. set forth in the Constitution. Currently the State allocates basic aid funding to categorical entitlements that would have been received in any event. Such districts are commonly known as “Basic Aid Districts.” The District is not a Basic Aid District.

### **State Budget**

The State budget approval process begins with the release to the State legislature by January 10<sup>th</sup> of the Governor's proposed budget for the following fiscal year. State fiscal years begin July 1<sup>st</sup>. In May, the Governor submits a revision of the proposed budget that reflects updated estimates of revenues and expenditures. After a series of public hearings and other steps in the legislative process, the budget must be approved by two-thirds vote in each house of the State legislature and submitted to the Governor. The Governor may reduce or eliminate any appropriation through the line-item veto. Although the budget is required by the Constitution to be approved no later than June 15<sup>th</sup>, it often has not been approved until later.

While the Constitution in large part dictates the formulae for determining the allocation of State revenues to the K-12 education portion of the State budget pursuant to Proposition 98 and other provisions (see “**CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS**” herein), in the State budget process the Governor and State legislature still have significant leeway in deciding whether and by how much to exceed or reduce such allocation in the actual funding of K-12 school districts, and to decide what funds will be general purpose or restricted purpose.

#### *2004/05 Budget*

On January 9, 2004, the *Governor's 2004/05 Budget* was released, revised as of May 13, 2004, with the release of the *Governor's Budget May Revision 2004/05*, and adopted in final form by the legislature as of July 31, 2004 as the *2004 Budget Act* (the “2004/05 State Budget”). The 2004/05 State Budget projects for the State general fund a beginning balance of \$4.178 billion, revenue and transfers-in of \$74.570 billion and allocates the use of \$2.012 billion from State Economic Recovery Bonds, for a total of \$80.760 billion in general fund resources for 2003/04, and projects a beginning balance of \$3.127 billion, revenue and transfers-in of \$77.251 billion and no allocation from Economic Recovery Bonds, for a total of \$80.378 billion in general fund resources for 2004/05. General fund expenditures are projected to be \$77.633 billion for 2003/04 and \$78.681 billion for 2004/05, with general fund ending balances of \$3.127 billion and \$1.697 billion for these years, respectively.

The 2004/05 State Budget “rebases”, i.e., reduces, Proposition 98 funding of K-12 education by \$2 billion from what it otherwise would be in 2004/05, to be restored to schools over future years. The 2004/05 State Budget estimates Proposition 98 K-12 education funding allocations, including local property tax revenue, of \$43.695 billion for 2002/03, \$46.201 billion for 2003/04 and \$46.989 billion for 2004/05. Of these amounts, the State general fund will provide \$28.892 billion in 2002/03, \$30.412 billion in 2003/04 and \$34.003 billion in 2004/05; the difference is funded from local property tax

revenue projected for each school district. For 2002/03, the *2002/03 Budget Act* included a 2.00% COLA (only 1.66% was mandated for 2003/04 under Proposition 98 formula) for school district and county office of education revenue limit apportionments and categorical programs, and funding of a 1.37% increase in statewide enrollment (the *Governor's Budget May Revision 2003/04* indicated that the 2002/03 increase in statewide enrollment was 1.75%). The *2003/04 Budget Act* had no COLA and assumed funding of a 1.34% increase in statewide enrollment for 2003/04. The 2004/05 State Budget includes a 2.41% COLA for school district and county office of education revenue limit apportionments, and funding of an assumed 0.95% increase in statewide enrollment (and indicates that the growth for 2003/04 was 0.75% rather than the previously assumed 1.34%). Proposition 98 K-12 funding per pupil in the 2004/05 State Budget is estimated at as \$6,597 for 2002/03, \$7,009 for 2003/04 and \$7,007 for 2004/05.

#### *2005/06 Budget*

On January 10, 2005, the Governor's *2005/06 Budget* was released. It will be revised in May, 2005 and, if the legislature follows state law, adopted in final form by the legislature by June 15, 2005. The *Governor's 2005/06 Budget* projects for the State general fund for 2003/04 prior year resources available of \$5.060 billion and revenue and transfers-in of \$74.762 billion, for a total of \$79.812 billion in general fund resources; for 2004/05 projects prior year resources available of \$3.489 billion, revenue and transfers-in of \$78.219 billion and allocates the use of \$2.012 billion from State Economic Recovery Bonds issued in 2004/05, for a total of \$83.720 billion in general fund resources; and for 2004/05 projects prior year resources available of \$1.425 billion, revenue and transfers-in of \$83.772 billion and allocates the use of \$1.683 billion from State Economic Recovery Bonds, for a total of \$86.880 billion in general fund resources. General fund expenditures are projected to be \$76.333 billion for 2003/04, \$82.295 billion for 2004/05 and \$85.738 for 2005/06, with general fund ending balances of \$3.489 billion, \$1.425 billion and \$1.141 billion, respectively, for these years.

The budget proposal for 2005/06 generally increases expenditures over 2004/05, balancing the budget by assuming increased revenues, by increasing expenditures less than current funding formulae would prescribe and by some actual spending reductions. Proposition 98 funding of K-12 education for 2005/06 in the *Governor's 2005/06 Budget* is \$2.284 billion less in this respect, and non-Proposition 98 spending, i.e., spending on all other general fund purposes besides K-12 education, is \$4.716 billion less in this respect. Two spending reduction proposals are that beginning in 2005/06 employees in PERS will pay one-half of the total PERS contribution on their behalf, and that the State will no longer contribute to the defined benefits program for school district employees in STRS. Initially, school districts would pay an additional 2% of payroll for these employees, but will have the authority to shift this cost in whole or part to teachers through collective bargaining agreements. Proposition 98 funding of K-12 education in the *Governor's 2005/06 Budget* increases by about 6.1% (after backfilling revenue limit funding for shifting a portion of property tax revenue to cities and counties) per A.D.A. in 2005/06 over 2004/05, but the shift in STRS contributions to the school districts from the State reduces the net increase actually realized by school districts to about 4.3% per A.D.A. The District cannot predict whether all or some of these and other changes proposed in *Governor's 2005/06 Budget* will ultimately be enacted into law.

The Governor's 2005/06 Budget estimates Proposition 98 funding of K-12 education, including local property tax revenue, of \$46.276 billion for 2003/04, \$47.083 billion for 2004/05 and \$49.968 billion for 2005/06. Of these amounts, the State general fund will provide \$30.522 billion in 2003/04, \$34.124 billion in 2004/05 and \$36.532 billion in 2004/05; the difference is funded from local property tax revenue projected for each school district. The *Governor's 2005/06 Budget* includes a 3.93% COLA for most school district and county office of education revenue limit apportionments, and funding of an assumed 0.79% increase in A.D.A. statewide. Proposition 98 funding per A.D.A. in the *Governor's 2005/06 Budget* is estimated at as \$5,958 for 2003/04, \$6,016 for 2004/05 and \$6,063 for 2005/06. From



all sources, including federal, local parcel taxes and local debt service taxes, among others, the *Governor's 2005/06 Budget* projects total spending per A.D.A. of \$9,526 in 2003/04, \$9,864 in 2004/05 and \$10,084 in 2005/06.

### **State Funding of Schools Without A State Budget**

On May 29, 2002, the Court of Appeal of the State of California for the Second Appellate District in *White v. Davis et al.* (combined with *Howard Jarvis Taxpayers Association et al. v. Westly* in appeal) held, among other things, that absent adoption of a budget bill or an emergency appropriation by the Legislature, the State Controller may disburse State funds authorized by (a) a continuing appropriation enacted by the Legislature, (b) a self-executing provision of the State constitution, including payment of certain funds for public schools under Article XVI, Section 8.5 of the constitution, and (c) mandate of federal law, such as prompt payment of minimum wage and overtime compensation mandated by the federal Fair Labor Standards Act and benefits under federal food stamp, foster care and adoption, child support and child welfare programs. The Court of Appeal specifically concluded that Article XVI, Section 8.0 does not constitute a self-executing authorization to disburse revenue limit apportionment to school districts; legislative appropriation is required for revenue limit disbursement. On May 1, 2003, the California Supreme Court in its decision in *White v. Davis et al.* granted review to two other matters and let these particular conclusions of the Court of Appeal stand without ruling on them.

During the 2003/04 State budget impasse, the State Controller announced that only "payments of prior year obligations, constitutional authorizations, federal mandates and continuous legislative appropriations would be made." The State Controller concluded that revenue limit apportionments to school districts, under provisions of the Education Code implementing Article XVI, Section 8 of the State constitution, are authorized as continuous legislative appropriations, so disbursed these funds without a budget bill or emergency appropriation enacted. The State Controller did not disburse certain categorical and other funds to school districts until the *2003/04 Budget Act* was enacted.

### **State Funding of School Construction**

The State makes funding for school facility construction and modernization available to K-12 districts throughout the State through the Office of Public School Construction ("OPSC") and the State Allocation Board ("SAB"), financed with proceeds of State general obligation bonds authorized and issued for this purpose. Such bonds were authorized in the amount of \$13.05 billion, \$11.40 billion of which were for K-12 school facilities and \$1.65 billion of which were for higher education facilities, on November 5, 2002 under Proposition 47, passed by 58.9% of the State-wide vote. An additional bond measure for education capital projects was approved on March 2, 2004 under Proposition 55, passed by 50.6% of the State-wide vote, in an authorization amount of \$12.3 billion, \$10.0 billion of which is for K-12 school facilities and \$2.3 billion of which is for higher education facilities. The SAB allocates bond funds for 50% of approved new construction costs, 60% of approved modernization costs (80% for modernization project applications made prior to February 1, 2002), or up to 100% of approved costs of any type if the school district is approved for "hardship" funding. The school district is responsible for the portion of costs not funded by the State. School districts routinely apply for such funding whenever they have projects they believe meet OPSC and SAB criteria for funding.

### **State Retirement Programs**

School districts participate in the State of California Teachers Retirement System ("STRS"). STRS covers all full-time and most part-time employees with teaching certificates. In order to receive

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

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

### **County Office of Education**

In each county there is a county superintendent of schools (the "County Superintendent") and a county board of education. The Office of the County Superintendent, frequently known as the "County Office of Education" (the "County Office" herein) in each county provides the staff and organization that carries out the activities and policies of the County Superintendent and county board of education for that county.

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

The District is under the jurisdiction of, and is served by, the County Office for Solano County.

### **School District Budget Process**

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

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and

readopted budget by September 1 that is subject to State mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the County Superintendent, or as needed.

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

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

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

## **Accounting Practices**

The accounting policies of California school districts conform to generally accepted accounting principles, as modified in accordance with policies and procedures of the California School Accounting Manual. This manual, pursuant to Section 41010 of the Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred. See also “**Note 1**” in “**APPENDIX A**” herein for further discussion of applicable accounting policies.

## **County Investment Pool**

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

Each county treasurer is required to invest funds, including those pooled funds described above, in accordance with Government Code Sections 53601 *et seq.* In addition, each county treasurer is required to establish an investment policy which may impose further limitations beyond those required by the Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the County Treasurer-Tax Collector, Solano County, 600 Texas Street, Fairfield, CA 94533 (707) 421-7485. It is not intended that such information be incorporated into this Official Statement by such references. Certain information concerning the County’s pooled investment portfolio as of December 31, 2004 is included herein in “**APPENDIX D - SOLANO COUNTY INVESTMENT PORTFOLIO REPORT.**”

## DISTRICT INFORMATION

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

### General Information

The District includes approximately 198 square miles in the City of Dixon (the "City") and surrounding unincorporated areas of Solano County (the "County"). The District provides educational services to its residents.

The District has two elementary schools (K-6), one elementary school (K-3), one elementary school (4-6), one middle high school (grades 7-8), one high school (grades 9-12), one continuation high school (grades 9-12), one community day school (grade 7-12), and one Alternative/Adult education facility. These schools and additional District facilities comprise a total of approximately 370,408 square feet of building area.

The 2004/05 pupil-teacher ratios are expected to be as follows:

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#### DIXON UNIFIED SCHOOL DISTRICT Pupil - Teacher Ratios

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<u>Grade</u>	<u>Ratio</u>
K through 3	20:1
4 through 6	29:1
7 and 8	29:1
9 through 12	29:1

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Source: The District.

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The District is governed by a Board of Trustees consisting of five members. Members are elected to four-year terms in staggered years. The day-to-day operations are managed by a board-appointed Superintendent of Schools. Mr. Wally Holbrook has served in this capacity since October, 2000.

## Average Daily Attendance and Revenue Limit

The following table summarizes the historical and current year estimated average daily attendance (A.D.A.) for the District.

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### DIXON UNIFIED SCHOOL DISTRICT Average Daily Attendance Second Period Report

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<u>Academic Year</u>	<u>Average Daily Attendance<sup>(b)</sup></u>
2000/01	3,592
2001/02	3,676
2002/03	3,668
2003/04	3,669
2004/05 <sup>(a)</sup>	3,672

<sup>(a)</sup> Estimated.

<sup>(b)</sup> Includes K-12, special education, and continuation students; excludes Adult education and ROP.

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Source: The District.

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The District is not a Basic Aid District. The District's statutory base revenue limit per A.D.A. under the State revenue limit formula was \$4,757.58 for 2003/04, and is projected to be \$4,904.62 per A.D.A. for 2004/05. See “GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Funding of School Districts” herein.

## Labor Relations

Currently the District employs approximately 223 full-time equivalent (FTE) certificated employees and approximately 100 FTE classified employees. There are two formal bargain units operating in the District which are described in the table below.

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### DIXON UNIFIED SCHOOL DISTRICT Labor Organizations

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<u>Labor Organization</u>	<u>Number of Employees</u>	<u>Contract Expiration</u>
Dixon Teachers Association (CTA)	221	June 30, 2005
S.E.I.U.	114	June 30, 2005

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Source: The District.

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See “— **Comparative Financial Statements**” below for historical comparison of salary expense for the District.

## Retirement Programs

The District's contribution to STRS for fiscal year 2003/04 was \$1,094,112 and in fiscal year 2004/05 is estimated to be \$1,107,450. The District's contribution to PERS for fiscal year 2003/04 was \$346,2778 and for fiscal year 2004/05 is projected to be \$298,894. See “**GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Retirement Programs**” herein.

## Comparative Financial Statements

The table below summarizes the District's historical and current General Fund revenue, expenditures, and fund balances from fiscal year 2000/01 through 2004/05. The format shown is that used by the District for internal accounting, budgeting and periodic reporting to the County Office and the State, and by the District's auditors in preparing audited financial statements for the District, for years prior to the year ended June 30, 2003. Audited financial statements commencing with the year ended June 30, 2003 are prepared under GASB 34, and in respect to line items, generally are not comparable with prior years audited financial statements or the District's internal accounting, budgeting or reports to the County Office and the State. For the District's combined audited basic financial statements for the year ended June 30, 2004, independent auditor's letter and management's discussion and analysis, all prepared according to GASB 34, see “**APPENDIX A**” hereto.

The District's First Interim Report for fiscal year 2004/05 was certified as "positive." For a description of the interim report certification process, see "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — School District Budget Process" herein. The District's 2004/05 budget has been approved by the County Superintendent.

**DIXON UNIFIED SCHOOL DISTRICT**  
**General Fund Revenue, Expenditures and Fund Balances**  
**2000/01 through 2004/05**

	Actuals <u>2000/01<sup>(a)</sup></u>	Actuals <u>2001/02<sup>(a)</sup></u>	Actuals <u>2002/03<sup>(a)</sup></u>	Actuals <u>2003/04<sup>(a)</sup></u>	First Interim Report <u>2004/05<sup>(b)</sup></u>
<b>REVENUES:</b>					
Revenue Limit Sources:					
State Apportionment	\$10,945,165	\$11,739,486	\$11,188,897	\$10,629,625	\$11,621,650
Local Sources	5,162,380	5,504,829	6,228,815	6,640,368	6,467,659
Federal	727,795	1,136,739	1,441,607	979,149	1,468,597
Other State	5,612,956	5,662,233	4,608,641	2,794,733	2,952,973
Other Local	<u>740,837</u>	<u>868,443</u>	<u>632,009</u>	<u>2,107,440</u>	<u>1,702,506</u>
<b>TOTAL REVENUES</b>	<b>23,189,133</b>	<b>24,911,730</b>	<b>24,099,969</b>	<b>23,151,313</b>	<b>24,213,385</b>
<b>EXPENDITURES:</b>					
Salaries:					
Certificated	12,909,078	13,999,788	13,930,608	13,588,191	13,423,573
Classified	2,969,576	3,243,192	3,192,538	3,067,143	3,112,475
Employee Benefits	3,241,997	3,455,725	3,661,904	3,321,576	3,807,290
Books, Supplies and Equipment Replacement	1,086,501	922,643	999,953	802,324	1,172,560
Contract Services and Other Expenses	1,902,491	2,368,154	2,235,449	2,027,523	2,262,318
Capital Outlay	450,844	461,410	1,239,578	12,375	70,771
Transfers Out/Other	0	320,769	282,488	261,895	395,679
Debt Service:					
Principal Retirement	24,918	23,665	68,130	101,234	38,583
Interest and Fiscal Charges	3,867	3,341	26,982	56,227	31,079
Direct Support/Indirect Costs	<u>352,347</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(44,687)</u>
<b>TOTAL EXPENDITURES</b>	<b>22,941,619</b>	<b>24,798,687</b>	<b>25,637,630</b>	<b>23,238,488</b>	<b>24,269,641</b>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	<b>132,494</b>	<b>(2,793)</b>	<b>(1,537,661)</b>	<b>(87,175)</b>	<b>(56,256)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund Transfers In	0	0	980,237	49,192	0
Interfund Transfers Out	(115,020)	(130,367)	(145,369)	(155,478)	(146,478)
Other	<u>0</u>	<u>14,531</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>(115,020)</b>	<b>(115,836)</b>	<b>834,868</b>	<b>(106,286)</b>	<b>(146,478)</b>
<b>FUND BALANCE, JULY 1</b>	<b><u>2,267,112</u></b>	<b><u>2,399,606</u></b>	<b><u>2,396,813</u></b>	<b><u>1,694,020</u></b>	<b><u>1,500,559</u></b>
<b>FUND BALANCE, JUNE 30</b>	<b><u>\$ 2,399,606</u></b>	<b><u>\$ 2,396,813</u></b>	<b><u>\$ 1,694,020</u></b>	<b><u>\$ 1,500,559</u></b>	<b><u>\$ 1,297,825</u></b>

<sup>(a)</sup> Audited Financial Statements.

<sup>(b)</sup> First Interim Report as of December 1, 2004.

**Audit**

Excerpts from the 2003/04 audited financial statements are included in **APPENDIX A**, herein. The District is required to accept its annual audit at a public meeting no later than January 31st of the following year. The District considers its audited financial statements to be documents of public record. The District has not requested its auditors to review this Official Statement, nor have they done so.



**District Debt**

*Short-Term Obligations.* On July 1, 2004 the District issued \$1,310,000 in tax and revenue anticipation notes (the "Notes").

The Notes mature on July 6, 2005. The Notes are general obligations of the District payable from general fund and any other lawfully available revenues received during the 2004/05 fiscal year.

*General Obligation Bonds.* On November 5, 2002, the voters of the District approved authorization of \$28.2 million in general obligation bonds. As of March 31, 2005, the District has issued the bonds listed below under or in connection with this authorization.

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**DIXON UNIFIED SCHOOL DISTRICT  
Outstanding General Obligation Bonded Debt**

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<u>Dated Date</u>	<u>Series</u>	<u>Amount of Original Issue</u>	<u>Amount Counting Toward Authorization</u>	<u>Outstanding March 31, 2005</u>
April 1, 2003	Election of 2002, Series 2003	\$10,000,000	\$10,000,000	\$9,840,000

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The annual requirements to amortize general obligation bonds payable, outstanding as of March 31, 2005, are as follows:

**DIXON UNIFIED SCHOOL DISTRICT  
Annual Debt Service**

Payment Date	The Bonds			Annual Debt Service
	Principal	Interest	Total	
August 1, 2005	\$ 340,000.00	\$ 224,096.88	\$ 564,096.88	\$ 788,193.76
February 1, 2006		219,846.88	219,846.88	
August 1, 2006		219,846.88	219,846.88	439,693.76
February 1, 2007		219,846.88	219,846.88	
August 1, 2007	55,000.00	219,846.88	274,846.88	494,693.76
February 1, 2008		219,159.38	219,159.38	
August 1, 2008	85,000.00	219,159.38	304,159.38	523,318.76
February 1, 2009		217,884.38	217,884.38	
August 1, 2009	115,000.00	217,884.38	332,884.38	550,768.76
February 1, 2010		216,159.38	216,159.38	
August 1, 2010	145,000.00	216,159.38	361,159.38	577,318.76
February 1, 2011		213,712.50	213,712.50	
August 1, 2011	180,000.00	213,712.50	393,712.50	607,425.00
February 1, 2012		210,112.50	210,112.50	
August 1, 2012	215,000.00	210,112.50	425,112.50	635,225.00
February 1, 2013		205,812.50	205,812.50	
August 1, 2013	260,000.00	205,812.50	465,812.50	671,625.00
February 1, 2014		200,612.50	200,612.50	
August 1, 2014	335,000.00	200,612.50	535,612.50	736,225.00
February 1, 2015		193,912.50	193,912.50	
August 1, 2015	365,000.00	193,912.50	558,912.50	752,825.00
February 1, 2016		186,384.38	186,384.38	
August 1, 2016	380,000.00	186,384.38	566,384.38	752,768.76
February 1, 2017		178,546.88	178,546.88	
August 1, 2017	410,000.00	178,546.88	588,546.88	767,093.76
February 1, 2018		170,090.63	170,090.63	
August 1, 2018	475,000.00	170,090.63	645,090.63	815,181.26
February 1, 2019		159,996.88	159,996.88	
August 1, 2019	535,000.00	159,996.88	694,996.88	854,993.76
February 1, 2020		148,293.75	148,293.75	
August 1, 2020	620,000.00	148,293.75	768,293.75	916,587.50
February 1, 2021		134,343.75	134,343.75	
August 1, 2021	690,000.00	134,343.75	824,343.75	958,687.50
February 1, 2022		118,818.75	118,818.75	
August 1, 2022	760,000.00	118,818.75	878,818.75	997,637.50
February 1, 2023		101,718.75	101,718.75	
August 1, 2023	880,000.00	101,718.75	981,718.75	1,083,437.50
February 1, 2024		78,618.75	78,618.75	
August 1, 2024	925,000.00	78,618.75	1,003,618.75	1,082,237.50
February 1, 2025		54,337.50	54,337.50	
August 1, 2025	970,000.00	54,337.50	1,024,337.50	1,078,675.00
February 1, 2026		28,875.00	28,875.00	
August 1, 2026	1,050,000.00	28,875.00	1,078,875.00	1,107,750.00
February 1, 2027		1,312.50	1,312.50	
August 1, 2027	<u>50,000.00</u>	<u>1,312.50</u>	<u>51,312.50</u>	<u>52,625.00</u>
<b>TOTAL</b>	<b><u>\$9,840,000.00</u></b>	<b><u>\$7,180,890.72</u></b>	<b><u>\$17,020,890.72</u></b>	<b><u>\$17,244,987.60</u></b>

*Certificates of Participation.* In 1999 and 2001, the District issued \$7,000,000 and \$5,695,000 respectively, in Certificates of Participation. The 1999 and 2001 Certificates of Participation mature in 2012 and 2026 respectively

**DIXON UNIFIED SCHOOL DISTRICT  
Certificates of Participation**

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Estimated Interest</u>	<u>Total</u>
2005	\$ 585,000	\$ 491,051	\$ 1,076,051
2006	615,000	463,751	1,078,751
2007	645,000	434,466	1,079,466
Thereafter	<u>8,015,000</u>	<u>3,526,139</u>	<u>11,541,139</u>
Total	<u>\$9,860,000</u>	<u>\$4,915,407</u>	<u>\$14,775,407</u>

Source: The District

*Lease/Purchase Agreement.* On November 13, 2002, the District entered into a \$770,000 Lease/Purchase Agreement with the California School Boards Association Finance Corporation. The Lease/Purchase Agreement matures on November 13, 2017. The interest rate is currently 4.19%, and will be reset on November 13, 2007 and November 13, 2012. At November 13, 2002, the District's lease obligations were as follows:

**DIXON UNIFIED SCHOOL DISTRICT  
Capital Lease Payment**

<u>Year Ending June 30</u>	<u>Lease Payment</u>
2005	\$ 117,780
Thereafter	960,082
Total	<u>\$1,007,862</u>

*Special Tax Bonds.* In 1996 the Mello-Roos Community Facilities District #1 ("CFD") issued Special Tax Bonds in an aggregate principal amount of \$846,205.80, maturing through 2007, with accreted interest at a rate of 6.25%. At June 30, 2002, the CFD's obligations were as follows:

<u>Year Ending June 30,</u>	<u>Payments</u>
2005	\$350,000
2006	250,000
2007	<u>165,000</u>
Total	<u>\$765,000</u>

**Availability of Documents**

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

## DISTRICT TAX BASE INFORMATION

*This section presents certain information concerning the property tax base in the District. For general information on how ad valorem property is assessed, and how taxes are levied and collected, see “AD VALOREM PROPERTY TAXATION” herein.*

### Assessed Valuation

The following table represents the five-year history of assessed valuation in the District. For more information regarding how property is assessed in the State of California, see “AD VALOREM PROPERTY TAXATION — Assessed Valuation” herein.

<b>DIXON UNIFIED SCHOOL DISTRICT</b>				
<b>Assessed Valuation</b>				
<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2000/01	\$1,180,736,084	\$2,336,498	\$56,881,734	\$1,239,954,316
2001/02	1,289,165,349	2,279,514	55,288,227	1,346,733,090
2002/03	1,344,172,438	2,200,112	60,947,374	1,407,319,924
2003/04	1,460,922,752	2,307,765	77,616,621	1,540,847,138
2004/05	1,638,219,634	3,162,751	86,253,789	1,727,636,174

Source: California Municipal Statistics, Inc.

The *ad valorem* property tax to pay debt service on the Bonds and all other outstanding bonds is levied on total assessed value of all taxable property within the District before deducting any redevelopment agency tax increment. The District’s general fund property tax revenue is a percentage of the County-wide 1% general purpose tax rate levied on total assessed value of all taxable property within the District after deducting redevelopment agency tax increment.

## Secured Tax Charges and Delinquencies

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

<b>DIXON UNIFIED SCHOOL DISTRICT Secured Tax Charges and Delinquencies</b>				
<u>Fiscal Year</u>	<u>Secured Tax Charge<sup>(a)</sup></u>	<u>Amount Delinquent June 30</u>	<u>Percent Delinquent June 30</u>	
1999/00	\$70,489.68	\$1,246.20	1.77%	
2000/01	52,152.50	1,071.62	2.05	
2001/02	n/a	n/a	n/a	
2002/03	n/a	n/a	n/a	
2003/04	751,014.62	13,189.60	1.76	

(a) All taxes collected by the County within the District.

Source: California Municipal Statistics, Inc.

Under the Teeter Plan, the County funds the District its full tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments, when the late taxes are collected. The County *does* include the secured, but not the unsecured, *ad valorem* tax levy for the District's general obligation bonds under the Teeter Plan. See "**AD VALOREM PROPERTY TAXATION — Teeter Plan**" herein.

## Tax Rates

The following is a summary of tax rates for a representative tax rate area, TRA 2-017, within the District. TRA 2-017 has a total 2004/05 assessed valuation of \$224,503,537, approximately 13% of the District's total assessed valuation. See "**AD VALOREM PROPERTY TAXATION**" for further information on establishing tax rates.

<b>DIXON UNIFIED SCHOOL DISTRICT Tax Rates - TRA 2-017</b>					
	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>
County-wide Rate <sup>(a)</sup>	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Solano County Community College District	-	-	-	0.014320	0.015324
Dixon Unified School District Bond	0.004502	-	-	0.052268	0.043866
State Water Project	-	0.020000	0.020000	1.020000	0.020000
<b>TOTAL</b>	<u>1.004502%</u>	<u>1.020000%</u>	<u>1.020000%</u>	<u>1.086588%</u>	<u>1.079190%</u>

(a) Maximum rate for purposes other than paying debt service in accordance with Article XIII A of the State Constitution.

Source: California Municipal Statistics, Inc.

## Largest Taxpayers

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

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### DIXON UNIFIED SCHOOL DISTRICT Largest Taxpayers

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<u>Name</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>Percent of Total<sup>(a)</sup></u>
Basalite Concrete Products LLC	Industrial	\$ 25,356,024	1.55%
Campbell Soup Supply co. LLC	Industrial	21,846,521	1.33
Heritage Dairy	Agricultural	21,206,728	1.29
Pulte Home Corporation	Residential Development	20,919,239	1.28
Suntrust Banks Inc.	Industrial	15,239,445	0.93
Gymboree Logistics Partnership	Industrial	13,573,071	0.83
Wal-Mart Stores Inc.	Commercial	13,272,315	0.81
Mililani Group Inc.	Industrial	12,573,507	0.77
Premier Industries Inc.	Industrial	11,915,746	0.73
Hines Nurseries Inc.	Commercial	9,257,457	0.57
Safeway Stores	Commercial	8,907,326	0.54
MEC Dixon Inc.	Industrial	8,883,363	0.54
Salad Cosmo USA Corp.	Industrial	8,649,953	0.53
Dixon 133 LLC	Commercial	6,815,921	0.42
Elensburg Lamb Company Inc.	Industrial	6,794,821	0.41
Robert A. Robben	Apartments	6,385,718	0.39
Pioneer Roofing Tile Inc.	Industrial	6,202,202	0.38
Hines Horticulture Inc.	Commercial	5,800,976	0.35
Walnut Ranch Apartments Ltd.	Apartments	5,282,150	0.32
B&T LLC	Industrial	<u>5,012,300</u>	<u>0.31</u>
<b>TOTAL</b>		<b><u>\$233,894,783</u></b>	<b><u>14.28%</u></b>

<sup>(a)</sup> Local Secured Assessed Valuation for 2004/05: \$1,638,219,634.

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Source: California Municipal Statistics, Inc.

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## Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated as of March 1, 2005. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

**DIXON UNIFIED SCHOOL DISTRICT**  
**Statement of Direct and Overlapping Debt**

2004/05 Assessed Valuation: \$1,727,636,174  
 Redevelopment Incremental Valuation: (163,286,040)  
 Adjusted Assessed Valuation \$1,564,350,134

	Percent Applicable	Debt 3/1/05
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>		
Solano County Community College District	6.106%	\$ 4,704,368
Dixon Unified School District	100	9,840,000 <sup>(a)</sup>
Solano Irrigation District	23.502	312,107
City of Dixon 1915 Act Bonds	100	<u>21,815,000</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>36,671,475</b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u></b>		
Solano County General Fund Obligations	5.931	9,020,754
Solano County Pension Obligations	5.931	5,733,201
Solano County Board of Education Certificates of Participation	5.931	228,344
Dixon Unified School District Certificates of Participation	100	9,275,000
City of Dixon General Fund Obligations	100	5,163,949
City of Vacaville Certificates of Participation	0.145	<u>30,008</u>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$29,451,256</b>
<b>COMBINED TOTAL DEBT</b>		<b><u>\$66,122,731<sup>(b)</sup></u></b>

<sup>(a)</sup> Excludes general obligation bonds to be sold.

<sup>(b)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

**Ratios to 2004.05 Assessed Valuation:**

Direct Debt (\$9,840,000) ..... 0.57%  
 Total Direct and Overlapping Tax and Assessment Debt ..... 2.12%

**Ratios to Adjusted Assessed Valuation:**

Combined Direct Debt (\$19,115,000) ..... 1.22%  
 Combined Total Debt ..... 4.23%

**STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: \$0**

Source: California Municipal Statistics, Inc.

## ECONOMIC PROFILE

*While the economics of the City and County and surrounding region influence the economics within the District, only property within the District is subject to an unlimited ad valorem tax levy to pay debt service on the Bonds.*

### Introduction

The District is located in City of Dixon in Solano County.

The major areas of growth within the Solano County area have been focused in the communities of Benicia, Vallejo, Fairfield, and Vacaville. Solano County's emergence as a manufacturing, warehousing, and distribution center will serve to shift the emphasis of its role as a farm community or bedroom community serving San Francisco, Sacramento, Napa, and Contra Costa counties, and result in a more self-contained economic base. Solano County is attracting new businesses with low cost housing, a skilled labor force, a well developed infrastructure, and a good location between the Bay Area and Sacramento.

A significant source of jobs remains in the service, trade, and government employment sectors. During past years, the weakness of the food processing industry in the region kept manufacturing employment flat. However, an influx of manufacturing firms to Solano County is expected to continue with the result that manufacturing will be a high growth industry during the next decade. In contrast to the statewide trend, manufacturing, rather than service and trade, will occupy most of the space in Solano County's business parks and serve as the primary source of growth.

### Population

The following table summarizes population figures for the City and for the County.

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CITY OF DIXON AND SOLANO COUNTY		
Population		
Year	City of Dixon	Solano County
1980	7,541	235,203
1990	10,417	339,471
2000	16,103	394,542
2001	16,200	400,800
2002	16,200	407,800
2003	16,200	412,200
2004	16,350	416,500

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Source: The 1980, 1990 and 2000 totals are U.S. Census figures. The figures for the years 2001 through 2004 are based upon adjusted January 1 estimates provided by the State.

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## Employment

The following table summarizes historical employment and unemployment in Solano County.

<b>SOLANO COUNTY</b>					
<b>Civilian Labor Force, Employment and Unemployment</b>					
<b>Annual Averages</b>					
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Civilian Labor Force <sup>(a)</sup>					
Employment	179,800	187,300	192,800	197,300	199,900
Unemployment	<u>8,600</u>	<u>8,300</u>	<u>8,300</u>	<u>11,400</u>	<u>12,700</u>
Total	188,400	195,600	201,100	208,700	212,600
Unemployment Rate <sup>(b)</sup>	4.6%	4.2%	4.1%	5.5%	6.0%

<sup>(a)</sup> Based on place of residence; based on March 2003 benchmark.

<sup>(b)</sup> The unemployment rate is calculated using unrounded data.

Source: California Employment Development Department, Labor Market Information Division.

The following table summarizes the historical numbers of workers in Solano County by industry.

<b>SOLANO COUNTY</b>					
<b>ESTIMATED NUMBER OF WAGE AND SALARY WORKERS BY INDUSTRY<sup>(A)</sup></b>					
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Agricultural	2,300	2,300	2,200	2,000	2,000
Natural Resources and Mining	300	300	300	200	300
Construction	8,800	9,900	10,600	10,900	11,100
Manufacturing	10,100	10,300	10,000	9,500	8,900
Trade, Transportation and Utilities	23,300	23,400	23,900	24,800	25,800
Information	1,700	1,700	1,700	1,800	1,900
Financial Activities	3,600	3,800	3,800	4,700	5,800
Professional and Business Services	9,800	11,500	10,200	11,700	10,800
Educational and Health Services	12,500	13,700	14,300	14,500	15,600
Leisure and Hospitality	11,700	12,000	12,400	12,300	12,600
Other Services	3,800	4,000	3,600	3,700	3,800
Government	<u>24,300</u>	<u>24,500</u>	<u>25,500</u>	<u>26,400</u>	<u>25,800</u>
Total All Industries	112,000	117,400	118,300	122,400	124,400

<sup>(A)</sup> The industry employment data are now based upon the North American Industry Classification System (NAICS). Newly released data are not comparable to the data based on the Standard Industrial Classification (SIC). Items may not add to totals due to independent rounding. March 2003 Benchmark.

Source: California Employment Development Department, Labor Market Information Division.

## Major Employers

The following table summarizes the major employers in the City:

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<b>CITY OF DIXON</b>		
<b>Major Employers</b>		
<u>Employer</u>	<u>Product/Service</u>	<u>Number of Employees</u>
Campbell's Soup Dixon Canning	Manufactures canned diced tomatoes & tomato paste	225
Gymboree Corp.	Distributes children's & infants' clothing for a major department store chain	200
Superior Packing Co.	Meat packing plant	200
Anderson Truss	Manufactures wooden roof, floor & wall trusses	130
Altec Industries Inc.	Manufactures hydraulic & pneumatic boom & aerial lift trucks	125
Basalite Inc.	Manufactures concrete products	120
Century 21 Distinctive Properties Inc.	Real estate agency & broker	100
Milgard Tempering	Manufactures tempered window glass	100
Button Transportation Inc.	Long-distance truckload truck freight service	80
Insulfoam	Fabricates expanded polystyrene	75
Ronald Timothy Farming	Crop farming	75

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Source: 2004 Harris InfoSource, January 2005.

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The following table summarizes the major employers in the County:

**SOLANO COUNTY  
Major Employers**

<u>Employer</u>	<u>Product/Service</u>	<u>Number of Employees</u>
Kaiser Permanente	Direct hospital & medical insurance carrier; administrative & general management consulting services; medical & surgical hospital	2,848
Genentech Inc.	Manufactures pharmaceuticals	1,500
Northbay Vaca Valley Hospital	Medical & surgical hospitals	1,200
Westamerica Bancorporation	National commercial banking services	1,086
Alza Corp.	Manufactures & develops drug delivery systems	1,000
Six Flags Inc.	Amusement & marine parks	1,000
Travis Credit Union	State & Federally chartered credit union	800
Sutter Solano Medical center	Medical & surgical hospital; physicians' offices & clinic	792
Northbay Medical Center	Medical & surgical hospital	760
Pacific Bell Inc.	Wired telecommunications reseller	536
Albertsons Inc.	Grocery store distribution center	480
Anheuser-Busch Inc.	Manufactures beer & malt beverages	450
Jelly Belly Candy Co.	Manufactures hard & soft candy, confectionery products	400
Public Works Office	Engineering services	400
Saint-Gobain Containers Inc.	Warehouse & distribution center for manufacturer of glass containers, bottles & jars	400
Valero Refining Co.	Petroleum refining services	400
KB Home North Bay Inc.	Contractors specializing in single family homes & new construction loan services	300
Pinnacle Builders Inc.	Single & multi-family housing framing services	300
Simpson Dura-Vent Co Inc.	Manufactures metal gas venting systems & all-fuel chimneys & stove pipes	300

Source: 2004 Harris InfoSource, January 2005.

**Construction Activity**

The following table summarizes historical residential building permit valuation for the City and the County.

**CITY OF DIXON AND SOLANO COUNTY  
Residential Building Permit Valuation  
(Dollars in Thousands)**

<u>Year<sup>(a)</sup></u>	<u>City of Dixon</u>		<u>Solano County</u>	
	<u>Residential Units<sup>(b)</sup></u>	<u>Residential Valuation<sup>(c)</sup></u>	<u>Residential Units<sup>(b)</sup></u>	<u>Residential Valuation<sup>(c)</sup></u>
1999	88	\$14,325	2,011	\$295,707
2000	3	634	2,233	393,921
2001	26	5,012	2,623	385,022
2002	58	11,844	2,474	395,424
2003	259	54,355	2,642	447,292

<sup>(a)</sup> As of January 1.

<sup>(b)</sup> Does not include alterations and additions.

<sup>(c)</sup> Includes all residential building activity.

Source: "California Building Permit Activity," Economic Sciences Corporation.

## Commercial Activity

The following table summarizes historical taxable transactions in the City and the County.

---

CITY OF DIXON AND SOLANO COUNTY				
Taxable Transactions				
(\$ in Thousands)				
Year	City of Dixon		Solano County	
	Permits	Taxable Transactions	Permits	Taxable Transactions
1998	330	\$129,248	7,795	\$3,443,229
1999	331	136,216	7,981	3,897,029
2000	339	165,729	8,128	4,423,853
2001	361	214,771	8,233	4,748,319
2002	366	293,650	8,219	5,077,143

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Source: State Board of Equalization.

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## Median Household Income

Effective Buying Income (EBI) is defined as money income less personal income tax and non-tax payments, such as fines, fees or penalties. The following table summarizes historical median household EBI, for the County, State of California and United States of America.

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SOLANO COUNTY, STATE OF CALIFORNIA AND UNITED STATES OF AMERICA			
Median Household Effective Buying Income			
Year <sup>(a)</sup>	Solano County	State of California	United States of America
1999	\$43,550	\$39,492	\$37,233
2000	48,225	44,464	39,129
2001	49,162	43,532	38,365
2002	47,508	42,484	38,035
2003	48,512	42,924	38,201

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<sup>(a)</sup> As of January 1.

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Source: "Survey of Buying Power", Sales and Marketing Management Magazine.

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## LEGAL MATTERS

### Tax Matters

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Bond Counsel, based on an analysis of existing statutes, regulations, rulings, and court decisions, and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt

from State of California personal income taxes. Bond Counsel is also of the opinion that interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

The Internal Revenue Code of 1986 (the "Code") imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after that date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

Although Bond Counsel expects to render an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes and exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds, or obligations that present similar tax issues, will not affect the market price or liquidity of the Bonds.

**No Litigation**

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

**Legality for Investment in California**

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

## **Legal Opinion**

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

## **MISCELLANEOUS**

### **Ratings**

Moody's Investors Service and Standard & Poor's have assigned their municipal bond ratings of "Aaa" and "AAA", respectively, to the Bonds with the understanding that, upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by Financial Security Assurance Inc. with respect to the Current Interest Bonds and by Financial Guaranty Insurance Company with respect to the Capital Appreciation Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody's Investors Service, 99 Church Street, New York, NY, 10007; Standard & Poor's Ratings Services, 55 Water Street, 38th Floor, New York, NY 10041.

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

### **Underwriting**

Pursuant to the terms of a public bid held on March 22, 2005, Morgan Stanley, DW Inc., as CIBs Underwriter, has agreed to purchase the Current Interest Bonds from the District at the purchase price of \$6,620,000. The CIBs Underwriter has represented to the District that the Current Interest Bonds were reoffered to the public at the prices or yields set forth on the cover page of this Official Statement, at an aggregate reoffering price of \$6,815,425.85. Based on such representations, underwriter's compensation for the Current Interest Bonds will be \$47,425.85 (adjusting for a required costs of issuance deposit of \$123,000.00 and a bond insurance premium of \$25,000.00). The CIBs Underwriter will be obligated to take and pay for all of the Current Interest Bonds, if any Bond is purchased.

Pursuant to the terms of a public bid held on March 22, 2005, Citigroup Global Markets, Inc., as CABs Underwriter, has agreed to purchase the Capital Appreciation Bonds from the District at the purchase price of \$9,560,686.20. The CABs Underwriter has represented to the District that the Capital Appreciation Bonds were reoffered to the public at the prices or yields set forth on the cover page of this Official Statement, at an aggregate reoffering price of \$9,858,436.20. Based on such representations, underwriter's compensation for the Capital Appreciation Bonds will be \$228,350.00 (adjusting for a bond insurance premium of \$69,400.00). The CABs Underwriter will be obligated to take and pay for all of the Capital Appreciation Bonds, if any Bond is purchased.

## **Closing Papers**

The District will furnish to the Underwriter, without charge, concurrently with payment for and delivery of the Bonds, the following closing papers, each dated the date of such delivery:

- (a) The opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, substantially in the form attached as **APPENDIX B** hereto;
- (b) The tax certificate of the District containing certifications and covenants relied upon by Bond Counsel in rendering its opinion that the interest on the Bonds is exempt from federal income taxation;
- (c) The certificate on behalf of the District certifying that there is no litigation pending affecting the validity of the Bonds;
- (d) The Certificate of an appropriate District official, acting on behalf of the District solely in his or her official and not in his or her personal capacity, certifying that at the time of the sale of the Bonds and at all times subsequent thereto up to and including the time of delivery of the Bonds to the initial purchasers thereof, to the best knowledge and belief of said Official, this Official Statement (excluding the description of the DTC and its book-entry system, information relating to a municipal bond insurance policy, if any, and the provider thereof, information provided by the Underwriter relating to the underwriting and the reoffering of the Bonds, and information relating to the investment of District funds, provided by the County Treasurer-Tax Collector), did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;
- (e) The signature certificate of the officials of the District certifying that said officials have signed the Bonds, whether by facsimile or manual signature, and that they were duly authorized to do so;
- (f) The receipt of the Treasurer-Tax Collector of the County for the purchase price of the Bonds, including interest accrued to the date of delivery thereof; and
- (g) The Continuing Disclosure Certificate of the District in substantially the form shown in **APPENDIX C** attached hereto.

## **Continuing Disclosure**

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds (a) to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District's fiscal year (the "Annual Report"), commencing with the Annual Report for the 2004/05 Fiscal Year, which is due no later than April 1, 2006, and (b) to provide notices of the occurrence of certain enumerated events, if material. Currently the District's Fiscal Year ends on June 30 of each year. The Annual Report will be filed by the District with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and with the state information repository, if any. The notices of material events will be filed by the District with each NRMSIR or with the Municipal Securities Rulemaking Board, and with the state information repository, if any. Submission

of Annual Reports to Disclosure USA or another “central post office” designated by the S.E.C. will constitute compliance with such filing requirements. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below under the caption “**APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE.**” These covenants have been made to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

#### **Financial Advisor**

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

#### **Additional Information**

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

#### **DIXON UNIFIED SCHOOL DISTRICT**

By:           /s/ Wally Holbrook            
Superintendent



**APPENDIX A**

**EXCERPTS FROM 2003/04 AUDITED FINANCIAL STATEMENTS**

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PERRY-SMITH LLP

**DIXON UNIFIED SCHOOL DISTRICT**  
**COUNTY OF SOLANO**  
**DIXON, CALIFORNIA**

**FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2004**

**AND**

**INDEPENDENT AUDITOR'S REPORT**



**DIXON UNIFIED SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2004**

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**DIXON UNIFIED SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2004**

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**DIXON UNIFIED SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2004**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Dixon Unified School District  
Dixon, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Dixon Unified School District, as of and for the year ended June 30, 2004, which collectively comprise Dixon Unified 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 Dixon Unified School District as of June 30, 2004, 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 29, 2004 on our consideration of Dixon Unified 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 Dixon Unified 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 Dixon Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Perry - Smith LLP*

Sacramento, California  
December 29, 2004



**DIXON UNIFIED SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS**

For the year ended June 30, 2004

**Introduction**

The management discussion and analysis of the Dixon Unified School District provides an overall view of the District's financial activities for the fiscal year ended June 30, 2004. In order to gain a more complete understanding of the District's financial performance, the information contained in this narrative discussion should be read in junction with the District financial statements, which follow this section, and the Independent Auditor's Report and comments.

**Financial Highlights**

- The General Fund balance decreased \$193,461 from June 30, 2003 to June 30, 2004.
- Revenue Limit income decreased \$147,721 or .85% over 2002-03. Total revenues decreased \$948,656 or 4% from 2002-03.
- Total General Fund expenditures decreased \$2,436,736 or 10.4%.
- The District ended the year with an ending balance of \$1,500,559, which consists of \$1,382,356 unrestricted and \$118,203 restricted amounts.
- The total capital assets, net of accumulated depreciation, are \$35,002,579.

**Overview of the Financial Statements**

Management's discussion and analysis acts as an introduction to the basic financial statements. The basic financial statements are composed of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The statements are followed by a section of required supplementary information that further explains the District's financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are intended to give readers a broad overview of the District's finances in a format that is similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or worsening. A one- or two-year trend in a particular direction (up or down) may be due to temporary or planned circumstances, and may not be indicative of the District's overall, ongoing fiscal position.

The statement of activities presents information on how the District's net assets changed during the year. This statement is similar to an income statement in private business. It summarizes the District's revenues and expenditures based on function. The District utilizes the modified accrual basis of accounting, as required by the California School Accounting Manual. In this method, revenues are recorded when they become available and measurable. Expenditures, if measurable, are recorded in the accounting period in which the liabilities are incurred. Therefore, the statement of activities includes revenues earned but not received, and expenditures incurred but not paid out, as of June 30, 2004.

**Fund Financial Statements**

A fund is a fiscal and accounting entity with a self-balancing set of accounts; it records cash and other financial resources together with all related liabilities and residual balances. Funds used in accounting for local education agencies include governmental funds, proprietary funds and fiduciary funds.

**Governmental funds:** Most of the District's financial activities are reported in governmental funds. The District operates thirteen governmental funds. The largest fund is the District's General Fund, which accounts for day-to-day financial activities of the District. Governmental funds focus on how resources flow into and out of the funds, as well as the balances that remain at the end of the fiscal year. This information is helpful in determining the District's near-term financing needs.

**Proprietary funds:** Proprietary funds utilize the full accrual basis of accounting. These funds operate similar to a private-industry business. The District currently operates no proprietary funds.

**Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Table 1 summarizes the District's net assets as of June 30, 2003 and June 30, 2004.

<b>Table 1</b>		
<b>Net Assets</b>		
	<b>2003</b>	<b>2004</b>
<b>Assets:</b>		
Cash	\$ 19,927,443	\$ 15,294,521
Receivables	2,200,249	2,577,734
Stores	10,811	10,811
Prepaid Expenses	7,263	7,263
Capital Assets (net of depreciation)	33,980,897	35,002,579
<b>Total Assets</b>	<b>\$ 56,126,663</b>	<b>\$ 52,892,908</b>
<b>Liabilities:</b>		
Accounts payable and other current liabilities	\$ 3,261,057	\$ 1,184,858
Current loans	2,870,000	0
Deferred revenue	140,561	318,354
Long-term liabilities	22,955,810	22,178,501
<b>Total liabilities</b>	<b>\$ 29,227,428</b>	<b>\$ 23,681,713</b>
<b>Net Assets:</b>		
<b>Total net assets</b>	<b>\$ 26,899,235</b>	<b>\$ 29,211,195</b>

Table 2 summarizes the District's change in net assets for the year ended June 30, 2004.

Table 2		
Change in Net Assets		
	2003	2004
<b>Revenues:</b>		
Program revenues		
Charges for services	\$ 725,764	\$ 729,067
Operating grants	5,718,339	4,346,977
Capital grants and contributions	1,766,526	0
<b>General revenues</b>		
Property taxes	7,135,627	8,629,588
Federal and State aid	12,804,572	12,175,379
Interest and investment earnings	253,826	312,178
Other	1,058,038	3,330,462
Total revenues	29,462,692	29,523,651
<b>Expenditures</b>		
Instruction	17,568,833	16,209,307
Instruction-related services	2,933,184	3,116,602
Pupil services	2,655,130	2,585,681
General administration	1,464,083	1,258,911
Plant services	2,251,784	2,525,097
Ancillary services	211,369	221,402
Interest on long-term debt	640,904	992,160
Other outgo	477,946	302,531
Total expenditures	28,203,233	27,211,691
Increase in net assets	1,259,459	2,311,960
Beginning net assets	25,639,776	26,899,235
Ending net assets	\$ 26,899,235	\$ 29,211,195

**Financial Analysis of the Individual Funds**

*General Fund.* The General Fund suffered a net decrease in fund balance of \$193,461. A decrease in Federal Revenue accounted for the majority of the change in fund balance.

*Adult Education Fund.* The Adult Education fund balance decreased by \$48,011. The change was due to a decrease in Federal Revenue.

*Child Development Fund.* This fund balance increased by \$20,690 due to an increase in State revenue.

*Cafeteria Fund.* The fund balance for the Cafeteria Fund decreased by \$51,008. This decrease is offset by the prior year increase of \$94,583, netting an increase over two years of \$43,575.

*Deferred Maintenance Fund.* Fund balance in the Deferred Maintenance Fund increased \$248,945 from the prior year. This is due primarily to increased State and local contributions, and projects started after the end of the fiscal year.

*Building Fund.* Fund balance in the Building fund decreased by \$697,091 from the prior year. This was for the ground work on building the new high school.

*Capital Facilities Fund.* The Capital Facilities Fund grew significantly in 2003-04, by \$2,054,907. This was due to revenues generated by impact fees from development in the community. Payment for the District's 2001 Certificate of Participation (COPS) is made from this fund.

*County School Facilities Fund.* The County School Facilities fund, which is where activity for State modernization and construction occur, decreased by \$1,363,470. This is because the bulk of the projects that were being funded from this fund have been completed.

*Special Reserve Fund for Capital Outlay Projects.* This fund remained relatively unchanged, with only a \$6,819 increase.

*Capital Project Fund for Blended Component Units.* Payment for the District's 1997 Certificate of Participation (COPS) is made from this Mello-Roos fund. The fund balance increased by \$101,596.

*Bond Interest and Redemption Fund.* The balance for this fund increased by \$433,017 to account for the first payment of the 2002 Bond.

*Tax Override Fund.* The Tax Override Fund balance remained virtually unchanged, with a \$34 increase.

*Foundation Private-Purpose Trust Fund.* Monies in this fund are collected and held in trust for the purpose of providing scholarships to students. The balance in this fund increased by \$34,277 due to an increase in revenues.

**Budgetary Highlights**

*General Fund:* The increase between the original expenditure budget and the final amended budget was \$166,921 or .71% of total General Fund expenditures.

The increase between the original revenue budget and the final amended budget was \$61,282, or .26% of total General Fund revenues.

**Capital Asset and Long-Term Debt Activity**

Capital projects funds are used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students in the District. The District operates five capital projects funds. The Debt Service Fund for capital outlay projects is used to accumulate funds for the repayment of Certificates of Participation (COPS) issued by the District in 1997. In the fiscal year ended June 30, 2004, the total payment (principal and interest) made from this fund was \$934,373.

Table 3	
Capital Assets Net of Accumulated Depreciation	
	2004
Land	\$ 2,163,317
Site Improvements	8,613,163
Buildings	32,505,400
Machinery & Equipment	1,465,203
Work in Progress	2,113,736
Less: Accumulated Depreciation	(11,858,240)
Total	\$ 35,002,579

#### Long-Term Liabilities

At June 30, 2004, the District had \$22,178,501 million in long-term liabilities outstanding.

Table 4			
Long-Term Liabilities			
	2003	2004	Increase/Decrease
General Obligation Bonds Payable	\$ 10,900,193	\$ 10,687,336	\$ (212,857)
Compensated Absences Payable	134,141	130,024	(4,117)
Certificates of Participation Payable	10,425,000	9,860,000	(565,000)
Capital Leases Payable	999,211	836,858	(162,353)
Post-Retirement Healthcare Benefits	497,265	664,283	167,018
Total	\$ 22,955,810	\$ 22,178,501	(777,309)

#### Factors Impacting the District's Future

The District is faced with the same economic pressures as school districts and other county offices throughout the state. The financial well-being of the District is determined in large part by the state funding formula. Additionally, cuts to state and federal restricted programs during this time of economic uncertainty have a great impact on the District's ability to continue to provide a high level of services to students.

Significant state-wide increases in gas prices, workers compensation, and unemployment rates are also factors of concern in the District's future financial picture.

The fiscal year 2003-2004 became a very difficult financial year due to the economic downturn in the State of California. Revenue Limit funding per ADA declined 1.2% from 2002-2003. The District took mid-year actions to minimize expenditures and account for mid-year reductions by the Governor, maintaining the required reserve level for a district of its size. While the District adopted a prudent budget for 2004-2005, with significant cuts from the prior year, future budgets must remain prudent for the District to remain solvent.

#### Contacting the County Office's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions regarding this report or need additional information, contact Business Service Division, Dixon Unified School District, 180 S. First St., Suite 6, Dixon, CA 95620, (707) 567-5582 X5.



**BASIC FINANCIAL STATEMENTS**

**DIXON UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

June 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 15,294,521		\$ 15,294,521
Accounts receivable (Note 3)	2,577,734		2,577,734
Prepaid expenditures	7,263		7,263
Stores inventory	10,811		10,811
Capital assets, net of accumulated depreciation (Note 5)	<u>35,002,579</u>		<u>35,002,579</u>
Total assets	<u>52,892,908</u>		<u>52,892,908</u>
<b>LIABILITIES</b>			
Accounts payable	1,184,858		1,184,858
Deferred revenue	318,354		318,354
Long-term liabilities (Note 6):			
Due within one year	1,299,543		1,299,543
Due after one year	<u>20,878,958</u>		<u>20,878,958</u>
Total liabilities	<u>23,681,713</u>		<u>23,681,713</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	13,618,385		13,618,385
Restricted (Note 7)	15,034,906		15,034,906
Unrestricted	<u>557,904</u>		<u>557,904</u>
Total net assets	<u>\$ 29,211,195</u>	<u>\$ -</u>	<u>\$ 29,211,195</u>

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

**DIXON UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities (Note 5):							
Instruction	\$ 16,209,307	\$ 173,343	\$ 1,994,401		\$ (14,041,563)		\$ (14,041,563)
Instruction-related services:							
Supervision of instruction	507,175	12,418	344,919		(149,838)		(149,838)
Instructional library, media and technology	509,171		89,819		(419,352)		(419,352)
School site administration	2,100,256	18,394	472,096		(1,609,766)		(1,609,766)
Pupil services:							
Home-to-school transportation	293,871	2,353	224,777		(66,741)		(66,741)
Food services	1,100,171	479,565	544,384		(76,222)		(76,222)
All other pupil services	1,181,639	3,357	204,175		(984,107)		(984,107)
General administration:							
Data processing	86,827				(86,827)		(86,827)
All other general administration	1,172,084	23,893	94,087		(1,054,104)		(1,054,104)
Plant services	2,625,097	6,802	226,119		(2,293,176)		(2,293,176)
Ancillary services	221,402	9,942	39,154		(172,306)		(172,306)
Interest on long-term liabilities	992,160				(992,160)		(992,160)
Other outgo	302,531		113,046		(189,485)		(189,485)
<b>Total governmental activities</b>	<b>\$ 27,211,691</b>	<b>\$ 729,057</b>	<b>\$ 4,346,977</b>	<b>\$ -</b>	<b>(22,135,647)</b>		<b>(22,135,647)</b>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					6,640,287		6,640,287
Taxes levied for other specific purposes					1,989,301		1,989,301
Federal and State aid not restricted to specific purposes					12,175,379		12,175,379
Interest and investment earnings					312,178		312,178
Miscellaneous					3,330,462		3,330,462
<b>Total general revenue</b>					<b>24,447,607</b>		<b>24,447,607</b>
<b>Change in net assets</b>					<b>2,311,960</b>		<b>2,311,960</b>
<b>Net assets, July 1, 2003</b>					<b>26,899,235</b>		<b>26,899,235</b>
<b>Net assets, June 30, 2004</b>					<b>\$ 29,211,195</b>	<b>\$ -</b>	<b>\$ 29,211,195</b>

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

	ASSETS						Total
	General Fund	Capital Fund	Facilities Fund	Building Fund	Other Governmental Fund	Governmental Fund	
Cash and investments (Note 2):							
Cash in Cash/ Treasury	\$ 443,541	\$ 226,734	\$ 2,596,787	\$ 9,467,378	\$ 1,471,398	\$ 14,197,818	
Cash on hand and in banks	11,571	32				12,071	
Cash in revolving fund		900				900	
Cash with Fiscal Agent							
Accounts receivable (Note 3):							
Federal government	488,447	92,004				580,451	
State government	1,308,327	4,795				1,313,122	
Local government and other	480,071	16,429				496,500	
Due from other funds (Note 4)	282,284	7,263				289,547	
Prepaid expenditures		10,811				10,811	
Stores inventory							
<b>Total assets</b>	<b>\$ 2,990,291</b>	<b>\$ 360,998</b>	<b>\$ 2,798,954</b>	<b>\$ 9,467,378</b>	<b>\$ 2,749,871</b>	<b>\$ 18,968,622</b>	
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 957,338	\$ 37,493	\$ 3,489	\$ 198,982	\$ 27,946	\$ 1,948,698	
Due to other funds (Note 4)	210,500	296,271	680	4,000	1,383	472,294	
Deferred revenue	318,324					318,324	
<b>Total liabilities</b>	<b>1,486,892</b>	<b>293,794</b>	<b>4,189</b>	<b>192,982</b>	<b>29,809</b>	<b>1,978,605</b>	
Fund balances	1,503,559	68,804	2,794,765	9,304,396	2,720,562	16,387,112	
<b>Total liabilities and fund balances</b>	<b>\$ 2,990,291</b>	<b>\$ 360,998</b>	<b>\$ 2,798,954</b>	<b>\$ 9,467,378</b>	<b>\$ 2,749,871</b>	<b>\$ 18,968,622</b>	

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

**DIXON UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**

June 30, 2004

Total fund balances - Governmental Funds \$ 16,387,117

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 \$48,850,819 and the accumulated depreciation is \$11,858,240 (Note 5). 35,002,579

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, 2004 consisted of (Note 6):

Capitalized lease obligations	\$ 836,858	
Certificates of Participation	9,860,000	
Special Tax Bonds	687,336	
General Obligation Bonds	10,000,000	
Compensated absences	130,024	
Post-retirement healthcare benefits	<u>664,283</u>	<u>(22,178,501)</u>

Total net assets - governmental activities \$ 29,211,195

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

**DIXON UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2004

	General Fund	Cafeteria Fund	Capital Facilities Fund	Building Fund	Other Governmental Funds	Total Governmental Fund
<b>Revenues:</b>						
Revenue limit sources:						
State apportionment	\$ 10,829,825				\$ 61,714	\$ 10,891,539
Local sources	<u>6,840,366</u>					<u>6,840,366</u>
Total revenue limit	<u>17,670,191</u>				61,714	<u>17,731,905</u>
Federal sources	979,149	\$ 513,378			52,901	1,545,428
Other State sources	2,794,733	30,160			367,029	3,191,922
Other local sources	<u>2,107,440</u>	<u>515,005</u>	\$ 2,606,046	\$ 184,188	<u>2,041,936</u>	<u>7,454,595</u>
Total revenues	<u>23,151,313</u>	<u>1,058,543</u>	<u>2,606,046</u>	<u>184,188</u>	<u>2,523,580</u>	<u>29,523,650</u>
<b>Expenditures:</b>						
Certificated salaries	13,588,191				78,562	13,666,753
Classified salaries	3,067,143	359,164	12,881		32,767	3,472,055
Employee benefits (Notes 8 and 9)	3,321,576	102,065	3,467		19,050	3,446,158
Books and supplies	802,324	427,842		6,798	42,622	1,279,586
Contract services and operating expenditures	2,027,523	178,975	128,549	861,259	1,716,359	4,932,665
Capital outlay	12,375	6,824				19,199
Other outgo	261,895					261,895
Debt service (Note 6):						
Principal retirement	101,234		130,000		708,976	940,210
Interest	<u>56,227</u>		<u>289,344</u>		<u>669,589</u>	<u>995,160</u>
Total expenditures	<u>23,236,499</u>	<u>1,074,870</u>	<u>551,139</u>	<u>861,259</u>	<u>3,264,925</u>	<u>29,010,681</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(87,175)</u>	<u>(16,327)</u>	<u>2,054,907</u>	<u>(697,091)</u>	<u>(741,345)</u>	<u>512,969</u>
<b>Other financing sources (uses) (Note 4):</b>						
Operating transfers in	49,192				1,161,507	1,200,699
Operating transfers out	<u>(155,478)</u>	<u>(34,681)</u>			<u>(1,010,540)</u>	<u>(1,200,699)</u>
Total other financing sources (uses)	<u>(106,286)</u>	<u>(34,681)</u>			<u>140,967</u>	
Net change in fund balances	<u>(193,461)</u>	<u>(51,008)</u>	<u>2,054,907</u>	<u>(697,091)</u>	<u>(600,378)</u>	<u>512,969</u>
Fund balances, July 1, 2003	<u>1,694,020</u>	<u>117,812</u>	<u>739,889</u>	<u>10,001,467</u>	<u>3,320,940</u>	<u>15,674,148</u>
Fund balances, June 30, 2004	\$ <u>1,500,559</u>	\$ <u>66,804</u>	\$ <u>2,794,796</u>	\$ <u>9,304,396</u>	\$ <u>2,720,562</u>	\$ <u>16,387,117</u>

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

**DIXON UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS -**  
**TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2004

Net change in fund balances - Total Governmental Funds	\$	512,989
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 5).	\$	2,132,926
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 5).		(1,111,244)
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).		940,210
In the statement of activities, expenses related to post-retirement healthcare benefits and 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 5).	<u>(162,901)</u>	<u>1,798,891</u>
Change in net assets of governmental activities	\$	<u>2,311,960</u>

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

**DIXON UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL**

MAJOR FUNDS - GENERAL FUND

For the Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue limit sources:				
State apportionment	\$ 11,310,517	\$ 10,829,625	\$ 10,829,625	
Local sources	<u>6,123,065</u>	<u>6,640,387</u>	<u>6,640,356</u>	\$ (33)
Total revenue limit	<u>17,433,582</u>	<u>17,269,992</u>	<u>17,269,991</u>	(1)
Federal sources	1,376,581	979,148	979,149	1
Other State sources	3,789,487	2,794,733	2,794,733	
Other local sources	<u>490,381</u>	<u>2,107,440</u>	<u>2,107,440</u>	
Total revenues	<u>23,090,031</u>	<u>23,151,313</u>	<u>23,151,313</u>	
<b>Expenditures:</b>				
Certificated salaries	13,176,609	13,588,191	13,588,191	
Classified salaries	2,827,631	3,067,143	3,067,143	
Employee benefits	4,172,362	3,321,578	3,321,578	
Books and supplies	759,333	803,813	802,324	1,489
Contract services and operating expenditures	1,514,980	2,074,685	2,027,523	47,162
Capital outlay	75,568	12,375	12,375	
Other outgo	485,601	212,703	261,896	(49,192)
Debt service:				
Principal retirement	38,583	38,583	101,234	(62,651)
Interest	<u>31,079</u>	<u>31,080</u>	<u>56,227</u>	(25,147)
Total expenditures	<u>23,081,676</u>	<u>23,150,149</u>	<u>23,238,488</u>	(88,339)
Excess (deficiency) of revenues over (under) expenditures	<u>8,355</u>	<u>1,164</u>	<u>(87,175)</u>	(88,339)
<b>Other financing sources (uses):</b>				
Operating transfers in			49,192	49,192
Operating transfers out	<u>(145,369)</u>	<u>(155,478)</u>	<u>(155,478)</u>	
Total other financing sources (uses)	<u>(145,369)</u>	<u>(155,478)</u>	<u>(106,286)</u>	49,192
Deficiency of revenues and other financing sources under expenditures and other uses	(137,014)	(154,314)	(163,481)	(39,147)
Fund balances, July 1, 2003	<u>1,694,020</u>	<u>1,694,020</u>	<u>1,694,020</u>	
Fund balances, June 30, 2004	<u>\$ 1,657,006</u>	<u>\$ 1,539,706</u>	<u>\$ 1,500,559</u>	<u>\$ (39,147)</u>

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

**DIXON UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL**

**MAJOR FUNDS - CAFETERIA FUND**

For the Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources	\$ 525,058	\$ 513,378	\$ 513,378	
Other State sources	34,544	30,159	30,160	\$ 1
Other local sources	<u>512,311</u>	<u>515,006</u>	<u>515,006</u>	
Total revenues	<u>1,071,913</u>	<u>1,058,542</u>	<u>1,058,543</u>	<u>1</u>
Expenditures:				
Classified salaries	345,754	359,164	359,164	
Employee benefits	111,732	102,065	102,065	
Books and supplies	426,330	427,842	427,842	
Contract services and operating expenditures	153,893	178,976	178,975	1
Capital outlay	<u>30,000</u>	<u>6,824</u>	<u>6,824</u>	
Total expenditures	<u>1,067,709</u>	<u>1,074,871</u>	<u>1,074,870</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	4,204	(16,329)	(16,327)	2
Other uses:				
Operating transfers out		(34,881)	(34,881)	
Excess (deficiency) of revenues over (under) expenditures and other uses	4,204	(51,010)	(51,008)	2
Fund balances, July 1, 2003	<u>117,812</u>	<u>117,812</u>	<u>117,812</u>	
Fund balances, June 30, 2004	<u>\$ 122,016</u>	<u>\$ 66,802</u>	<u>\$ 66,804</u>	<u>\$ 2</u>

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

**DIXON UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**

**TRUST AND AGENCY FUNDS**

June 30, 2004

<b>ASSETS</b>	
Cash and investments (Note 2):	
Cash in County Treasury	\$ 201,829
Cash with Fiscal Agent	37,186
Cash on hand and in banks	173,789
Investments	270,208
Accounts receivable (Note 3):	
Local government and other	<u>70</u>
Total assets	<u>683,062</u>
<b>LIABILITIES</b>	
Due to student groups	168,071
Other liabilities	<u>167,267</u>
Total liabilities	<u>335,338</u>
<b>NET ASSETS</b>	
Restricted (Note 7)	<u>\$ 347,724</u>

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

**DIXON UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**EXPENDABLE TRUST FUND**

June 30, 2004

	<b>Foundation Trust</b>
Additions:	
Other local sources	\$ 49,977
Deductions:	
Contract services	15,700
Change in net assets	34,277
Net assets, July 1, 2003	313,447
Net assets, June 30, 2004	\$ 347,724

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

**DIXON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Dixon Unified 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 generally accepted accounting principles 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 - Mello-Roos Community Facilities District #1

The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the School District. The District and the Mello-Roos Community Facilities District #1 (the Facilities District) have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Facilities District as a component unit of the District. Accordingly, the financial activities of the Facilities District have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and the Facilities District which satisfy GASB Statement No. 14 criteria:

**A - Manifestation of Oversight**

- 1 - The Facilities District's Board of Directors are the same as the District's Governing Board.

**B - Accounting for Fiscal Matters**

- 1 - The District is able to impose its will upon the Facilities District, based on the following:
  - All major financing arrangements, contracts, and other transactions of the Facilities District must have the consent of the District.
  - The District exercises significant influence over operations of the Facilities District as it is anticipated that the District will be the sole lessee of all facilities owned by the Facilities District.
- 2 - The Facilities District provides specific financial benefits or imposes specific financial burdens on the District based upon the following:
  - Any deficits incurred by the Facilities District will be reflected in the lease payments of the District.
  - Any surpluses of the Facilities District revert to the District at the end of the lease period.

DIXON UNIFIED SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity - Mello-Roos Community Facilities District #1 (Continued)

B - Accounting for Fiscal Matters (Continued)

- The District has assumed a "moral obligation", and potentially a legal obligation, or any debt incurred by the Facilities District.

C - Scope of Public Service and Financial Presentation

- 1 - The Facilities District was formed for the sole purpose of providing financing assistance to the District for construction and acquisition of major capital facilities.
- 2 - The Facilities District is a community facilities district pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended by Chapter 2.5 Part 1, Division 2 Title 5 of the government code of the State of California on March 30, 1989.
- 3 - The Facilities District's financial activity is presented in the financial statements as the Mello-Roos Community Facilities District #1 Fund.

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*. Certain of the significant changes in the Statement include the following:

- The financial statements include:
  - A Management 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.
- Change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to basic financial statements). The District implemented the general provisions of the Statement during the year ended June 30, 2003.

DIXON UNIFIED SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Revenues, Expenditures and Changes in Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities were 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*.

*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, 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 two broad categories which, in aggregate, include six 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 the capital improvement costs that are not paid through other funds are paid from the General Fund.

**DIXON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

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, Child Development, Cafeteria, and Deferred Maintenance Funds.

3 - Debt Service Fund:

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

4 - Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This classification includes the County School Facilities, Mello-Roos Community Facilities District #1, Capital Facilities, Special Reserve and Building Funds.

B - Fiduciary Fund Types

1 - Expendable Trust Fund:

The Expendable Trust Fund is used to account for assets held by the District as trustee. The District maintains one expendable trust fund, the Foundation Trust Fund, which is used to provide financial assistance to students of the District.

2 - Agency Funds:

Agency Funds are used to account for assets of others for which the District has an agency relationship with the activity of the fund. This classification consists of the Deferred Compensation, Prepaid Insurance Deductions and the Student Body Funds.

**DIXON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Accounting

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

Accrual

Governmental activities in the government-wide financial statements and the 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 Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The District's Governing Board complied with these requirements.

The District employs budget control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the District's Board of Trustees and District Superintendent to provide for unanticipated revenues and expenditures. The final revised budget is presented in the financial statements.

The District did not adopt a budget for the Bond Interest and Redemption Fund as this is the responsibility of the Solano County Auditor/Controller. Therefore, the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual is not presented for this fund.

Inventory

Inventory in the Cafeteria Fund consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools. Maintenance and other supplies held for physical plant repair, transportation supplies, and operating supplies are not included in inventories; rather, these amounts are recorded as expenditures when purchased.



DIXON UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cafeteria Food Purchases

The Cafeteria Fund reflects supplies expense of \$427,842. Included in this amount is a handling charge for the delivery of government surplus food commodities. The State does not require the Cafeteria Fund to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus food commodities.

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 \$130,024 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave

Accumulated 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 when the employee retires.

Deferred Revenue and Program Advances

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.

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 Solano bills and collects taxes for the District. Tax revenues are recognized by the District when received.

DIXON UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Assets

Restrictions of the ending net assets or fund balance indicate the portions of net assets not appropriate for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund, prepaid expenditures and inventory reflect the portion of net assets represented by revolving fund cash, prepaid expenditures and inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical revenues represents the portion of net assets restricted to specific program expenditures. The restrictions for educational programs, food service operations, deferred maintenance, debt service, capital projects and scholarships represent the net assets of restricted funds.

Custodial Relationships

The balance sheet for agency funds represents the assets, liabilities and trust accounts of various student organizations within the District. As the funds are custodial in nature, no measurement of operating results is involved. The District's deferred compensation investment and prepaid insurance deductions are also recorded in the Agency Fund.

Deferred Compensation

The District has established a voluntary deferred compensation plan for its employees. The agreements provide for periodic payroll deductions from the participating employees. An amount equal to the reduction in compensation is invested by the District and is available to meet the general obligations of the District. The employee has no preferential right, title or claim to the assets of the Plan, except as a general creditor of the District. The principal portion of the account is invested with a credit union. The investment is recorded in the Agency Fund at cost plus accumulated interest, which approximates market value.

Encumbrances

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

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.

**DIXON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**2. CASH AND INVESTMENTS**

Cash at June 30, 2004 consisted of the following:

<u>Pooled Funds:</u>	
Cash in County Treasury	\$ 14,399,647
<u>Deposits:</u>	
Cash on hand and in banks	\$ 173,801
Revolving cash fund	\$ 12,071

Pooled Funds

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

In accordance with applicable State laws, the Solano County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2004, the Solano County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Deposits

Cash balances held in banks and revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2004, the carrying amount of the District's accounts was \$185,872, and the bank balances were \$208,874. Of the bank balances, \$100,000 was covered by the FDIC insurance and \$108,874 was uninsured. Uninsured balances are fully collateralized by the banks in accordance with applicable laws.

**DIXON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**2. CASH AND INVESTMENTS (Continued)**

Investments

Investments at June 30, 2004 consisted of the following:

	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash with Fiscal Agent			\$ 1,121,786	\$ 1,121,786	\$ 1,121,786
First Northern Community Bancorp stock	\$ 108,639			108,639	108,639
Deferred compensation		\$ 161,569		161,569	161,569
	<u>\$ 108,639</u>	<u>\$ 161,569</u>	<u>\$ 1,121,786</u>	<u>\$ 1,391,994</u>	<u>\$ 1,391,994</u>

Category 1: Insured or registered, or securities held by the District or its agent in the District's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the District's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, its trust department or its agent, but not held in the District's name.

Cash with Fiscal Agent represents \$412,862 in the County School Facilities Fund and \$671,738 in the Mello-Roos Community Facilities District #1 Fund held by Wells Fargo Bank restricted for repayment of COPs, and \$37,186 in the Foundation Trust Fund held by Raymond James Financial Services for payment of scholarships.

First Northern Community Bancorp stock is held in the Foundation Trust Fund to provide resources for the payment of scholarships.

Deferred compensation represents the cash balance of the Deferred Compensation Fund held in trust by the District in savings accounts with a credit union, with individual employee accounts insured by the National Credit Union Association.

DIXON UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2004 consisted of the following:

	Governmental Activities	Fiduciary Funds	Total
Federal government:			
Categorical aid programs	\$ 610,877	\$ -	\$ 610,877
State government:			
Categorical aid programs	\$ 158,880		\$ 158,880
Apportionment	685,244		685,244
Lottery	287,392		287,392
Other	323,084		323,084
Total	\$ 1,454,600	\$ -	\$ 1,454,600
Local government and other:			
Other	\$ 512,257	\$ 70	\$ 512,327

4. 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 as of June 30, 2004 were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 262,294	\$ 210,000
Special Revenue Funds:		
Adult Education		1,363
Cafeteria	210,000	256,271
Capital Project Funds:		
Capital Facilities Building		660 4,000
Totals	\$ 472,294	\$ 472,294

DIXON UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

4. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

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

Interfund transfers for the 2003-2004 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund	\$ 146,478
Transfer from the General Fund to the Special Reserve Fund	9,000
Transfer from the Adult Education Fund to the General Fund	6,357
Transfer from the Child Development Fund to the General Fund	8,154
Transfer from the Cafeteria Fund to the General Fund	34,681
Transfer from the Mello-Roos Community Facilities District #1 Fund to the Special Reserve Fund	61,654
Transfer from the Mello-Roos Community Facilities District #1 Fund to the Bond Interest and Redemption Fund	934,375
	<u>\$ 1,200,699</u>

5. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2004 is shown below:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Land	\$ 2,163,317			\$ 2,163,317
Improvement of sites	8,613,163			8,613,163
Buildings	32,505,400			32,505,400
Equipment	1,446,013	\$ 19,190		1,465,203
Work In Process		2,113,736		2,113,736
Totals, at cost	44,727,893	2,132,926		46,860,819
Less accumulated depreciation:				
Improvement of sites	(1,242,089)	(214,540)		(1,456,629)
Buildings	(8,753,441)	(799,145)		(9,552,586)
Equipment	(751,466)	(97,559)		(849,025)
Total accumulated depreciation	(10,746,996)	(1,111,244)		(11,858,240)
Capital assets, net	\$ 33,980,897	\$ 1,021,682	\$ -	\$ 35,002,579

**DIXON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**5. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 688,485
Instructional library, media and technology	2,797
School site administration	83,707
Food services	26,566
All other general administration	38,888
Plant services	<u>270,801</u>
Total depreciation expense	<u>\$ 1,111,244</u>

**6. LONG-TERM LIABILITIES**

Capitalized Lease Obligations

The District leases buildings, vehicles and equipment under various capitalized lease agreements. At June 30, 2004, the District's capitalized lease obligations were as follows:

<u>Year Ending June 30,</u>	<u>Payments</u>
2005	\$ 117,780
2006	109,183
2007	104,802
2008	84,304
2009	69,662
2010-2014	348,312
2014-2019	<u>243,819</u>
	1,077,862
Less amount representing interest	<u>(241,004)</u>
	<u>\$ 836,858</u>

Certificates of Participation

In 1997 and 2001, the District issued \$7,000,000 and \$5,695,000, respectively, in Certificates of Participation. The 1997 and 2001 Certificates of Participation mature in 2012 and 2026 respectively.

**DIXON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

Certificates of Participation (Continued)

The following is a schedule of the future payments for the 1997 and 2001 Certificates of Participation:

<u>Year Ending June 30,</u>	<u>Payments</u>
2005	\$ 1,078,051
2006	1,078,751
2007	1,079,466
2008	1,077,891
2009	1,074,331
2010-2014	4,054,277
2015-2019	2,047,417
2020-2024	2,055,440
2025-2029	<u>1,231,785</u>
	14,775,409
Less amount representing interest	<u>(4,915,409)</u>
	<u>\$ 9,860,000</u>

Special Tax Bonds

In 1996 the Mello-Roos Community Facilities District #1 issued Special Tax Bonds in an aggregate principal amount of \$786,631, maturing through 2007, with accreted interest at a rate of 6.25%. At June 30, 2004, the District's obligations were as follows:

<u>Year Ending June 30,</u>	<u>Payments</u>
2005	\$ 350,000
2006	250,000
2007	<u>165,000</u>
	765,000
Less amount representing interest	<u>(77,664)</u>
	<u>\$ 687,336</u>

DIXON UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds

On April 1, 2003, the District issued \$10,000,000 of General Obligation Bonds. The Bonds require annual principal payments beginning August 1, 2004 until August 1, 2027, plus interest. Annual interest rates for the General Obligation Bonds range from 2.5% to 4.5%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2005	\$ 160,000	\$ 450,194	\$ 610,194
2006	340,000	443,944	783,944
2007		439,694	439,694
2008	55,000	439,006	494,006
2009	85,000	437,044	522,044
2010-2014	915,000	2,110,090	3,025,090
2015-2019	1,965,000	1,818,478	3,783,478
2020-2024	3,485,000	1,244,966	4,729,966
2025-2029	2,995,000	247,689	3,242,689
	<u>\$ 10,000,000</u>	<u>\$ 7,631,085</u>	<u>\$ 17,631,085</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2004 is shown below:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004	Amounts Due Within One Year
Capitalized lease obligations	\$ 999,211		\$ 162,353	\$ 836,858	\$ 81,458
Certificates of Participation	10,425,000		565,000	9,860,000	585,000
Special Tax Bonds	900,183		212,857	687,326	306,369
General Obligation Bonds	10,000,000			10,000,000	160,000
Compensated absences	134,141		4,117	130,024	
Post-retirement healthcare benefits (Note 9)	497,265	\$ 167,018		664,283	128,718
Totals	<u>\$ 22,955,810</u>	<u>\$ 167,018</u>	<u>\$ 944,327</u>	<u>\$ 22,178,501</u>	<u>\$ 1,299,543</u>

Payments on the capitalized lease obligations are made from General Fund and Special Reserve for Capital Outlay Fund. Payments on the Certificates of Participation are made from the Debt Service Fund and Capital Facilities Fund. Payments on the Special Tax Bonds are made from the Debt Service Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the compensated absences and post-retirement healthcare benefits are made from the fund for which the related employee worked.

DIXON UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

7. RESTRICTED NET ASSETS

Restricted net assets consisted of the following at June 30, 2004:

	Governmental Activities
Revolving cash fund	\$ 12,071
Prepaid expenditures	7,263
Stores inventory	10,811
Unspent categorical program revenues	118,203
Educational programs	161,584
Food service operations	66,804
Deferred maintenance	454,340
Debt service	445,218
Capital projects	<u>13,758,612</u>
	<u>\$ 15,034,906</u>
	Fiduciary Activities
Scholarships	<u>\$ 347,724</u>

8. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

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.

**DIXON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**8. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

Plan Description and Provisions (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

*Funding Policy*

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2003-2004 was 10.42% 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, 2002, 2003 and 2004 were \$0, \$98,134 and \$343,970, 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, 7667 Folsom Boulevard, Sacramento, California 95826.

*Funding Policy*

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2003-2004 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2002, 2003 and 2004 were \$1,083,922, \$1,138,859 and \$985,200, respectively, and equal 100% of the required contributions for each year.

**9. POST-RETIREMENT HEALTHCARE BENEFITS**

In addition to the pension benefits described in Note 8, the District provides post-retirement healthcare benefits to District employees who retire from the District after 15 years of service. An eligible retiree receives benefits for a maximum period of 5 years or until age 65, whichever ever occurs first. The District pays up to \$498 per month per retiree for medical benefits insurance premiums to maintain the level of insurance at the retirement date; retirees are required to pay for any increases in premiums or increases in coverage.

**DIXON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**9. POST-RETIREMENT HEALTHCARE BENEFITS (Continued)**

At June 30, 2004, 44 District retirees are receiving the post-retirement healthcare benefits.

**10. JOINT POWERS AGREEMENTS**

The District participates in a joint venture under a joint powers agreement with North Bay Schools Insurance Authority.

The following is a summary of condensed financial information of North Bay Schools Insurance Authority for the year ended June 30, 2004:

Total assets	\$ 27,987,633
Total liabilities	\$ 19,024,870
Total net assets	\$ 8,962,763
Total revenue	\$ 15,639,778
Total expenses	\$ 15,707,262
Net loss	\$ (67,484)

The relationship between Dixon Unified School District and the Joint Powers Authority is such that the Joint Powers Authority is not a component unit of the District for financial reporting purposes.

**11. SUBSEQUENT EVENT**

On July 3, 2004, the District issued \$1,310,000 of Tax and Revenue Anticipation Notes (TRANs), maturing on July 3, 2005, with interest at 1.6%, to provide for anticipated cash flow deficits from operations. The TRANs are a general obligation of the District, and are payable solely from revenues and cash receipts generated by the District during the fiscal year ending June 30, 2005.

**12. CONTINGENCIES**

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.

DIXON UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL SPECIAL REVENUE FUNDS

June 30, 2004

	Adult Education	Child Develop- ment	Cafeteria	Deferred Main- tenance	Total
<b>ASSETS</b>					
Cash in County Treasury	\$ 84,573	\$ 54,953	\$ 228,734	\$ 307,882	\$ 676,122
Cash on hand and in banks			32		32
Revolving cash fund			500		500
Accounts receivable:					
Federal government	33,426		92,004		125,430
State government			4,795	146,478	151,273
Local government and other			16,429		16,429
Prepaid expenditures			7,263		7,263
Inventory			10,811		10,811
<b>Total assets</b>	<b>\$ 117,999</b>	<b>\$ 54,953</b>	<b>\$ 360,568</b>	<b>\$ 454,340</b>	<b>\$ 987,860</b>

**LIABILITIES AND  
FUND BALANCES**

<b>Liabilities:</b>					
Accounts payable	\$ 9,336	\$ 669	\$ 37,493		\$ 47,498
Due to other funds	1,363		255,271		257,634
<b>Total liabilities</b>	<b>10,699</b>	<b>669</b>	<b>293,764</b>		<b>305,132</b>
<b>Fund balances</b>	<b>107,300</b>	<b>54,284</b>	<b>66,804</b>	<b>\$ 454,340</b>	<b>682,728</b>
<b>Total liabilities and fund balances</b>	<b>\$ 117,999</b>	<b>\$ 54,953</b>	<b>\$ 360,568</b>	<b>\$ 454,340</b>	<b>\$ 987,860</b>

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

DIXON UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

ALL SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2004

	Adult Education	Child Develop- ment	Cafeteria	Deferred Main- tenance	Total
<b>Revenues:</b>					
Revenue limit sources:					
State apportionment	\$ 61,714				\$ 61,714
Federal sources	49,757	3,144	513,378		566,279
Other State sources		175,378	30,160	191,651	397,189
Other local sources	3,974	25,560	515,005	2,634	647,173
<b>Total revenues</b>	<b>115,445</b>	<b>204,082</b>	<b>1,058,543</b>	<b>194,285</b>	<b>1,572,355</b>
<b>Expenditures:</b>					
Certificated salaries	78,582				78,582
Classified salaries	32,767		359,164		391,931
Employee benefits	19,050		102,065		121,115
Books and supplies	22,788	669	427,842		451,299
Contract services and operating expenditures	3,932	174,569	178,975	91,818	449,294
Capital outlay			6,824		6,824
<b>Total expenditures</b>	<b>157,099</b>	<b>175,238</b>	<b>1,074,870</b>	<b>91,818</b>	<b>1,499,025</b>
(Deficiency) excess of revenues (under) over expenditures	(41,654)	28,844	(16,327)	102,467	73,330
<b>Other financing sources (uses):</b>					
Operating transfers in				146,478	146,478
Operating transfers out	(6,357)	(8,154)	(34,681)		(49,192)
<b>Other financing sources (uses)</b>	<b>(6,357)</b>	<b>(8,154)</b>	<b>(34,681)</b>	<b>146,478</b>	<b>97,286</b>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	(48,011)	20,690	(51,008)	248,945	170,616
<b>Fund balances, July 1, 2003</b>	<b>155,311</b>	<b>33,594</b>	<b>117,812</b>	<b>205,395</b>	<b>512,112</b>
<b>Fund balances, June 30, 2004</b>	<b>\$ 107,300</b>	<b>\$ 54,284</b>	<b>\$ 66,804</b>	<b>\$ 454,340</b>	<b>\$ 682,728</b>

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

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**ALL SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2004**

	<u>Adult Education</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	
<b>Revenues:</b>			
Revenue limit sources:			
State apportionment	\$ 61,714	\$ 61,714	
Federal sources	49,757	49,757	
Other State sources			
Other local sources	<u>3,975</u>	<u>3,974</u>	\$ (1)
<b>Total revenues</b>	<u>115,446</u>	<u>115,445</u>	<u>(1)</u>
<b>Expenditures:</b>			
Certificated salaries	78,582	78,582	
Classified salaries	32,767	32,767	
Employee benefits	19,050	19,050	
Books and supplies	22,788	22,788	
Contract services and operating expenditures	<u>3,932</u>	<u>3,932</u>	
Capital outlay			
<b>Total expenditures</b>	<u>167,099</u>	<u>167,099</u>	
(Deficiency) excess of revenues (under) over expenditures	<u>(41,653)</u>	<u>(41,654)</u>	<u>(1)</u>
<b>Other financing sources (uses):</b>			
Operating transfers in			
Operating transfers out	<u>(6,357)</u>	<u>(6,357)</u>	
<b>Total other financing sources (uses)</b>	<u>(6,357)</u>	<u>(6,357)</u>	
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	<u>(48,010)</u>	<u>(48,011)</u>	<u>(1)</u>
Fund balances, July 1, 2003	<u>155,311</u>	<u>155,311</u>	
Fund balances, June 30, 2004	<u>\$ 107,301</u>	<u>\$ 107,300</u>	<u>\$ (1)</u>

(Continued)

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**ALL SPECIAL REVENUE FUNDS**  
(Continued)  
**For the Year Ended June 30, 2004**

	<u>Child Development</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	
<b>Revenues:</b>			
Revenue limit sources:			
State apportionment	\$ 3,144	\$ 3,144	
Federal sources	93,491	175,378	\$ 81,887
Other State sources	<u>25,560</u>	<u>25,560</u>	
Other local sources			
<b>Total revenues</b>	<u>122,195</u>	<u>204,082</u>	<u>81,887</u>
<b>Expenditures:</b>			
Certificated salaries			
Classified salaries			
Employee benefits			
Books and supplies	669	669	
Contract services and operating expenditures	<u>174,569</u>	<u>174,569</u>	
Capital outlay			
<b>Total expenditures</b>	<u>175,238</u>	<u>175,238</u>	
(Deficiency) excess of revenues (under) over expenditures	<u>(53,043)</u>	<u>28,844</u>	<u>81,887</u>
<b>Other financing sources:</b>			
Operating transfers in			
Operating transfers out	<u>(8,154)</u>	<u>(8,154)</u>	
<b>Total other financing sources (uses)</b>	<u>(8,154)</u>	<u>(8,154)</u>	
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	<u>(61,197)</u>	<u>20,690</u>	<u>81,887</u>
Fund balances, July 1, 2003	<u>33,594</u>	<u>33,594</u>	
Fund balances, June 30, 2004	<u>\$ (27,603)</u>	<u>\$ 54,284</u>	<u>\$ 81,887</u>

(Continued)



**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ALL SPECIAL REVENUE FUNDS**  
(Continued)  
For the Year Ended June 30, 2004

	<u>Cafeteria</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	
<b>Revenues:</b>			
Revenue limit sources:			
State apportionment			
Federal sources	\$ 513,378	\$ 513,378	
Other State sources	30,169	30,160	\$ 1
Other local sources	515,005	515,005	
<b>Total revenues</b>	<u>1,058,542</u>	<u>1,058,543</u>	<u>1</u>
<b>Expenditures:</b>			
Certificated salaries			
Classified salaries	359,164	359,164	
Employee benefits	102,065	102,065	
Books and supplies	427,842	427,842	
Contract services and operating expenditures	178,976	178,975	1
Capital outlay	6,824	6,824	
<b>Total expenditures</b>	<u>1,074,871</u>	<u>1,074,870</u>	<u>1</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(16,329)</u>	<u>(16,327)</u>	<u>2</u>
<b>Other financing sources:</b>			
Operating transfers in			
Operating transfers out	(34,681)	(34,681)	
<b>Total other financing sources (uses)</b>	<u>(34,681)</u>	<u>(34,681)</u>	
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	<u>(51,010)</u>	<u>(51,008)</u>	<u>2</u>
Fund balances, July 1, 2003	117,812	117,812	
Fund balances, June 30, 2004	<u>\$ 66,802</u>	<u>\$ 66,804</u>	<u>\$ 2</u>

(Continued)

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ALL SPECIAL REVENUE FUNDS**  
(Continued)  
For the Year Ended June 30, 2004

	<u>Deferred Maintenance</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	
<b>Revenues:</b>			
Revenue limit sources:			
State apportionment			
Federal sources			
Other State sources	\$ 191,651	\$ 191,651	
Other local sources	2,635	2,634	\$ (1)
<b>Total revenues</b>	<u>194,286</u>	<u>194,285</u>	<u>(1)</u>
<b>Expenditures:</b>			
Certificated salaries			
Classified salaries			
Employee benefits			
Books and supplies			
Contract services and operating expenditures	91,818	91,818	
Capital outlay			
<b>Total expenditures</b>	<u>91,818</u>	<u>91,818</u>	
(Deficiency) excess of revenues (under) over expenditures	<u>102,468</u>	<u>102,467</u>	<u>(1)</u>
<b>Other financing sources:</b>			
Operating transfers in			
Operating transfers out	146,478	146,478	
<b>Total other financing sources (uses)</b>	<u>146,478</u>	<u>146,478</u>	
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	<u>248,946</u>	<u>248,945</u>	<u>(1)</u>
Fund balances, July 1, 2003	205,395	205,395	
Fund balances, June 30, 2004	<u>\$ 454,341</u>	<u>\$ 454,340</u>	<u>\$ (1)</u>

(Continued)

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ALL SPECIAL REVENUE FUNDS**  
(Continued)  
For the Year Ended June 30, 2004

	Total		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Revenue limit sources:			
State apportionment	\$ 61,714	\$ 61,714	
Federal sources	566,279	566,279	
Other State sources	315,301	397,189	\$ 81,888
Other local sources	<u>547,175</u>	<u>547,173</u>	<u>(2)</u>
Total revenues	<u>1,490,469</u>	<u>1,572,355</u>	<u>81,886</u>
Expenditures:			
Certificated salaries	78,562	78,562	
Classified salaries	391,931	391,931	
Employee benefits	121,115	121,115	
Books and supplies	451,299	451,299	
Contract services and operating expenditures	449,295	449,294	1
Capital outlay	<u>6,824</u>	<u>6,824</u>	
Total expenditures	<u>1,499,026</u>	<u>1,499,025</u>	<u>1</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(8,557)</u>	<u>73,330</u>	<u>81,887</u>
Other financing sources:			
Operating transfers in	146,478	146,478	
Operating transfers out	<u>(49,192)</u>	<u>(49,192)</u>	
Total other financing sources (uses)	<u>97,286</u>	<u>97,286</u>	
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	88,729	170,616	81,887
Fund balances, July 1, 2003	<u>512,112</u>	<u>512,112</u>	
Fund balances, June 30, 2004	<u>\$ 600,841</u>	<u>\$ 682,728</u>	<u>\$ 81,887</u>

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

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL DEBT SERVICE FUNDS**  
June 30, 2004

	Bond Interest and Redemp- tion	Debt Service	Tax Override	Total
<b>ASSETS</b>				
Cash in County Treasury	<u>\$ 443,091</u>	<u>\$ 2</u>	<u>\$ 2,125</u>	<u>\$ 445,218</u>
<b>FUND BALANCES</b>				
Fund balances	<u>\$ 443,091</u>	<u>\$ 2</u>	<u>\$ 2,125</u>	<u>\$ 445,218</u>

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

**DIXON UNIFIED SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**ALL DEBT SERVICE FUNDS**

June 30, 2004

	<u>Bond Interest and Redemp- tion</u>	<u>Debt Service</u>	<u>Tax Override</u>	<u>Total</u>
Revenues:				
Other local sources	\$ 810,345		\$ 34	\$ 810,379
Expenditures:				
Debt service:				
Principal retirement		\$ 647,857		647,857
Interest	377,328	286,516		663,844
Total expenditures	377,328	934,373		1,311,701
Excess (deficiency) of revenues over (under) expenditures	433,017	(934,373)	34	(501,322)
Other financing sources:				
Operating transfers in		934,375		934,375
Excess of revenues and other financing sources over expenditures	433,017	2	34	433,053
Fund balances, July 1, 2003	10,074		2,081	12,155
Fund balances, June 30, 2004	\$ 443,091	\$ 2	\$ 2,125	\$ 445,218

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

**DIXON UNIFIED SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ALL DEBT SERVICE FUNDS EXCEPT BOND INTEREST AND REDEMPTION FUND**

June 30, 2004

	<u>Debt Service</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Other local sources			
Expenditures:			
Debt service:			
Principal retirement	\$ 598,280	\$ 647,857	\$ (49,577)
Interest	336,093	286,516	49,577
Total expenditures	934,373	934,373	
(Deficiency) excess of revenues (under) over expenditures	(934,373)	(934,373)	
Other financing sources (uses):			
Operating transfers in	934,375	934,375	
Operating transfers out			
Total other financing sources (uses)	934,375	934,375	
Excess of revenues and other financing sources over expend- itures and other uses	2	2	
Fund balances, July 1, 2003			
Fund balances, June 30, 2004	\$ 2	\$ 2	\$ -

(Continued)

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ALL DEBT SERVICE FUNDS EXCEPT BOND INTEREST AND REDEMPTION FUND**  
(Continued)  
June 30, 2004

	<u>Tax Override</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Other local sources	\$ 40	\$ 34	\$ (6)
Expenditures:			
Debt service:			
Principal retirement			
Interest			
Total expenditures			
(Deficiency) excess of revenues (under) over expenditures	40	34	(6)
Other financing sources (uses):			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)			
Excess of revenues and other financing sources over expend- itures and other uses	40	34	(6)
Fund balances, July 1, 2003	2,091	2,091	
Fund balances, June 30, 2004	<u>\$ 2,131</u>	<u>\$ 2,125</u>	<u>\$ (6)</u>

(Continued)

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ALL DEBT SERVICE FUNDS EXCEPT BOND INTEREST AND REDEMPTION FUND**  
(Continued)  
June 30, 2004

	<u>Total</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Other local sources	\$ 40	\$ 34	\$ (6)
Expenditures:			
Debt service:			
Principal retirement	698,280	647,857	(49,577)
Interest	336,093	286,516	49,577
Total expenditures	934,373	934,373	
(Deficiency) excess of revenues (under) over expenditures	(934,333)	(934,329)	(6)
Other financing sources (uses):			
Operating transfers in	934,375	934,375	
Operating transfers out			
Total other financing sources (uses)	934,375	934,375	
Excess of revenues and other financing sources over expend- itures and other uses	42	36	(6)
Fund balances, July 1, 2003	2,091	2,091	
Fund balances, June 30, 2004	<u>\$ 2,133</u>	<u>\$ 2,127</u>	<u>\$ (6)</u>

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

DIXON UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
ALL CAPITAL PROJECTS FUNDS

June 30, 2004

	County School Facilities	Mello-Ross Community Facilities District #1	Capital Facilities	Special Reserve for Capital Outlay	Building	Total
<b>ASSETS</b>						
Cash in County Treasury	\$ 35,261	\$ 533,935	\$ 2,588,767	\$ 9,598	\$ 9,467,378	\$ 12,632,937
Cash with Fiscal Agent	412,862	671,738				1,084,600
Accounts receivable:						
Local government and other	13,569		2,188			15,757
Due from other funds			210,000			210,000
<b>Total assets</b>	<b>\$ 461,692</b>	<b>\$ 1,205,673</b>	<b>\$ 2,798,955</b>	<b>\$ 9,598</b>	<b>\$ 9,467,378</b>	<b>\$ 13,943,294</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 17,541		\$ 3,499		\$ 158,982	\$ 180,022
Due to other funds			650		4,000	4,650
<b>Total liabilities</b>	<b>17,541</b>		<b>4,159</b>		<b>162,982</b>	<b>184,682</b>
<b>Fund balances</b>	<b>444,151</b>	<b>\$ 1,205,673</b>	<b>2,794,796</b>	<b>\$ 9,598</b>	<b>9,304,396</b>	<b>13,758,612</b>
<b>Total liabilities and fund balances</b>	<b>\$ 461,692</b>	<b>\$ 1,205,673</b>	<b>\$ 2,798,955</b>	<b>\$ 9,598</b>	<b>\$ 9,467,378</b>	<b>\$ 13,943,294</b>

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

DIXON UNIFIED SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

ALL CAPITAL PROJECTS FUNDS

For the Year Ended June 30, 2004

	County School Facilities	Mello-Ross Community Facilities District #1	Capital Facilities	Special Reserve for Capital Outlay	Building	Total
<b>Revenues:</b>						
Other local sources	\$ 10,848	\$ 1,188,512	\$ 2,606,046	\$ 29	\$ 184,188	\$ 3,989,603
<b>Expenditures:</b>						
Classified salaries			12,981			12,981
Employee benefits			3,467			3,467
Books and supplies	19,165		6,798			25,963
Contract services and operating expenditures	1,355,153	90,887	128,549		881,250	2,455,848
Debt service:						
Principal retirement			130,000	61,119		191,119
Interest			289,344	2,745		272,089
<b>Total expenditures</b>	<b>1,374,318</b>	<b>90,887</b>	<b>551,139</b>	<b>63,864</b>	<b>881,250</b>	<b>2,961,457</b>
(Deficiency) excess of revenues (under) over expenditures	(1,363,470)	1,097,625	2,054,907	(63,835)	(697,091)	1,028,136
<b>Other financing sources (uses):</b>						
Operating transfers in				70,654		70,654
Operating transfers out		(968,029)				(968,029)
<b>Total other financing sources (uses)</b>		<b>(968,029)</b>		<b>70,654</b>		<b>(897,375)</b>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	(1,363,470)	101,596	2,054,907	6,819	(697,091)	102,761
<b>Fund balances, July 1, 2003</b>	<b>1,807,621</b>	<b>1,104,077</b>	<b>739,889</b>	<b>2,777</b>	<b>10,001,487</b>	<b>13,655,851</b>
<b>Fund balances, June 30, 2004</b>	<b>\$ 444,151</b>	<b>\$ 1,205,673</b>	<b>\$ 2,794,796</b>	<b>\$ 9,598</b>	<b>\$ 9,304,396</b>	<b>\$ 13,758,612</b>

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

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**ALL CAPITAL PROJECTS FUNDS**  
**For the Year Ended June 30, 2004**

	<u>County School Facilities</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Other local sources	\$ 10,848	\$ 10,848	
Expenditures:			
Classified salaries			
Employee benefits			
Books and supplies	19,165	19,165	
Contract services and operating expenditures	1,355,154	1,355,153	\$ 1
Debt service:			
Principal retirement			
Interest			
Total expenditures	<u>1,374,319</u>	<u>1,374,318</u>	<u>1</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,363,471)</u>	<u>(1,363,470)</u>	<u>1</u>
Other financing sources (uses):			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)			
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	<u>(1,363,471)</u>	<u>(1,363,470)</u>	<u>1</u>
Fund balances, July 1, 2003	<u>1,807,621</u>	<u>1,807,621</u>	
Fund balances, June 30, 2004	<u>\$ 444,150</u>	<u>\$ 444,151</u>	<u>\$ 1</u>

(Continued)

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**ALL CAPITAL PROJECTS FUNDS**  
 (Continued)  
**For the Year Ended June 30, 2004**

	<u>Mello-Roos Community Facilities District #1</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Other local sources	\$ 1,188,512	\$ 1,188,512	
Expenditures:			
Classified salaries			
Employee benefits			
Books and supplies			
Contract services and operating expenditures	90,887	90,887	
Debt service:			
Principal retirement			
Interest			
Total expenditures	<u>90,887</u>	<u>90,887</u>	
(Deficiency) excess of revenues (under) over expenditures	<u>1,097,625</u>	<u>1,097,625</u>	
Other financing sources (uses):			
Operating transfers in			
Operating transfers out	<u>(996,029)</u>	<u>(996,029)</u>	
Total other financing sources (uses)	<u>(996,029)</u>	<u>(996,029)</u>	
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	<u>101,596</u>	<u>101,596</u>	
Fund balances, July 1, 2003	<u>1,104,077</u>	<u>1,104,077</u>	
Fund balances, June 30, 2004	<u>\$ 1,205,673</u>	<u>\$ 1,205,673</u>	<u>\$ -</u>

(Continued)

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ALL CAPITAL PROJECTS FUNDS**  
(Continued)  
For the Year Ended June 30, 2004

	<u>Capital Facilities</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Other local sources	\$ 2,606,046	\$ 2,608,048	
Expenditures:			
Classified salaries	12,981	12,981	
Employee benefits	3,467	3,467	
Books and supplies	6,798	6,798	
Contract services and operating expenditures	128,550	128,549	\$ 1
Debt service:			
Principal retirement	130,000	130,000	
Interest	269,344	269,344	
Total expenditures	551,140	551,139	1
(Deficiency) excess of revenues (under) over expenditures	2,054,906	2,054,907	1
Other financing sources (uses):			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)			
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	2,054,906	2,054,907	1
Fund balances, July 1, 2003	739,889	739,889	
Fund balances, June 30, 2004	\$ 2,794,795	\$ 2,794,798	\$ 1

(Continued)

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ALL CAPITAL PROJECTS FUNDS**  
(Continued)  
For the Year Ended June 30, 2004

	<u>Special Reserve for Capital Outlay</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Other local sources	\$ 30	\$ 29	\$ (1)
Expenditures:			
Classified salaries			
Employee benefits			
Books and supplies			
Contract services and operating expenditures			
Debt service:			
Principal retirement	61,119	61,119	
Interest	2,745	2,745	
Total expenditures	63,864	63,864	
(Deficiency) excess of revenues (under) over expenditures	(63,834)	(63,835)	(1)
Other financing sources (uses):			
Operating transfers in	70,654	70,654	
Operating transfers out			
Total other financing sources (uses)	70,654	70,654	
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	6,820	6,819	(1)
Fund balances, July 1, 2003	2,777	2,777	
Fund balances, June 30, 2004	\$ 9,597	\$ 9,596	\$ (1)

(Continued)

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ALL CAPITAL PROJECTS FUNDS**  
(Continued)  
For the Year Ended June 30, 2004

	<u>Building</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Other local sources	\$ 184,168	\$ 184,168	
Expenditures:			
Classified salaries			
Employee benefits			
Books and supplies			
Contract services and operating expenditures	881,259	881,259	
Debt service:			
Principal retirement			
Interest			
Total expenditures	<u>881,259</u>	<u>881,259</u>	
(Deficiency) excess of revenues (under) over expenditures	<u>(697,091)</u>	<u>(697,091)</u>	
Other financing sources (uses):			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)			
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	(697,091)	(697,091)	
Fund balances, July 1, 2003	<u>10,001,487</u>	<u>10,001,487</u>	
Fund balances, June 30, 2004	<u>\$ 9,304,396</u>	<u>\$ 9,304,396</u>	<u>\$ -</u>

(Continued)

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ALL CAPITAL PROJECTS FUNDS**  
(Continued)  
For the Year Ended June 30, 2004

	<u>Total</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Other local sources	\$ 3,989,604	\$ 3,989,603	\$ (1)
Expenditures:			
Classified salaries	12,981	12,981	
Employee benefits	3,467	3,467	
Books and supplies	25,963	25,963	
Contract services and operating expenditures	2,455,850	2,455,848	2
Debt service:			
Principal retirement	191,119	191,119	
Interest	272,089	272,089	
Total expenditures	<u>2,881,469</u>	<u>2,881,467</u>	<u>2</u>
(Deficiency) excess of revenues (under) over expenditures	<u>1,028,135</u>	<u>1,028,136</u>	<u>1</u>
Other financing sources (uses):			
Operating transfers in	70,654	70,654	
Operating transfers out	(996,029)	(996,029)	
Total other financing sources (uses)	<u>(925,375)</u>	<u>(925,375)</u>	
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	102,760	102,761	1
Fund balances, July 1, 2003	<u>13,655,851</u>	<u>13,655,851</u>	
Fund balances, June 30, 2004	<u>\$ 13,758,611</u>	<u>\$ 13,758,612</u>	<u>\$ 1</u>

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



DIXON UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 TRUST AND AGENCY FUNDS  
 June 30, 2004

	Expendable Trust Fund	Agency Funds			Total
		Deferred Compen- sation	Prepaid Insurance Deductions	Student Body	
	Foundation Trust				
<b>ASSETS</b>					
Cash in County Treasury	\$ 201,829				\$ 201,829
Cash with Fiscal Agent	37,186				37,186
Cash on hand and in banks			\$ 5,698	\$ 168,071	173,769
Investments	108,639	\$ 161,569			270,208
Accounts receivable: Local government and other	70				70
<b>Total assets</b>	<b>\$ 347,724</b>	<b>\$ 161,569</b>	<b>\$ 5,698</b>	<b>\$ 168,071</b>	<b>\$ 683,062</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Due to student groups				\$ 168,071	\$ 168,071
Other liabilities		\$ 161,569	\$ 5,698		167,267
<b>Total liabilities</b>		161,569	5,698	168,071	335,338
Fund balance	\$ 347,724				347,724
<b>Total liabilities and fund balance</b>	<b>\$ 347,724</b>	<b>\$ 161,569</b>	<b>\$ 5,698</b>	<b>\$ 168,071</b>	<b>\$ 683,062</b>

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

DIXON UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES  
 IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 For the Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>Deferred Compensation</b>				
Assets:				
Investments	\$ 161,325	\$ 13,255	\$ 13,011	\$ 161,569
Liabilities:				
Due to student groups				
Other liabilities	\$ 161,325	13,255	13,011	\$ 161,569
<b>Total liabilities</b>	<b>\$ 161,325</b>	<b>\$ 13,255</b>	<b>\$ 13,011</b>	<b>\$ 161,569</b>
<b>Prepaid Insurance Deductions</b>				
Assets:				
Cash on hand and in banks	\$ 8,783	\$ 168,992	\$ 172,077	\$ 5,698
Liabilities:				
Due to student groups				
Other liabilities	\$ 8,783	168,992	172,077	\$ 5,698
<b>Total liabilities</b>	<b>\$ 8,783</b>	<b>\$ 168,992</b>	<b>\$ 172,077</b>	<b>\$ 5,698</b>
<b>Student Body</b>				
<b>High Schools</b>				
Assets:				
Cash on hand and in banks	\$ 118,396	\$ 289,838	\$ 285,315	\$ 122,919
Liabilities:				
Due to student groups	\$ 118,396	289,838	285,315	\$ 122,919
Other liabilities				
<b>Total liabilities</b>	<b>\$ 118,396</b>	<b>\$ 289,838</b>	<b>\$ 285,315</b>	<b>\$ 122,919</b>

(Continued)

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES**  
**IN ASSETS AND LIABILITIES**

**ALL AGENCY FUNDS**  
(Continued)  
**For the Year Ended June 30, 2004**

	<u>Balance</u> <u>July 1,</u> <u>2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30,</u> <u>2004</u>
<b>Student Body (Continued)</b>				
<b>Middle Schools</b>				
<b>Assets:</b>				
Cash on hand and in banks	\$ 33,444	\$ 49,739	\$ 82,940	\$ 243
<b>Liabilities:</b>				
Due to student groups	\$ 33,444	49,739	82,940	\$ 243
Other liabilities				
Total liabilities	\$ 33,444	\$ 49,739	\$ 82,940	\$ 243
<b>Elementary Schools</b>				
<b>Assets:</b>				
Cash on hand and in banks	\$ 49,990	\$ 167,125	\$ 172,206	\$ 44,909
<b>Liabilities:</b>				
Due to student groups	\$ 49,990	167,125	172,206	\$ 44,909
Other liabilities				
Total liabilities	\$ 49,990	\$ 167,125	\$ 172,206	\$ 44,909
<b>Total Student Body Funds</b>				
<b>Assets:</b>				
Cash on hand and in banks	\$ 201,830	\$ 506,702	\$ 540,461	\$ 168,071
<b>Liabilities:</b>				
Due to student groups	\$ 201,830	506,702	540,461	\$ 168,071
Other liabilities				
Total liabilities	\$ 201,830	\$ 506,702	\$ 540,461	\$ 168,071

(Continued)

**DIXON UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES**  
**IN ASSETS AND LIABILITIES**

**ALL AGENCY FUNDS**  
(Continued)  
**For the Year Ended June 30, 2004**

	<u>Balance</u> <u>July 1,</u> <u>2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30,</u> <u>2004</u>
<b>Total Agency Funds</b>				
<b>Assets:</b>				
Cash on hand and in banks	\$ 371,938	\$ 688,949	\$ 725,549	\$ 335,338
<b>Liabilities:</b>				
Due to student groups	\$ 201,830	506,702	540,461	\$ 168,071
Other liabilities	170,108	182,247	185,088	167,267
Total liabilities	\$ 371,938	\$ 688,949	\$ 725,549	\$ 335,338

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

**DIXON UNIFIED SCHOOL DISTRICT**

**ORGANIZATION**

June 30, 2004

Dixon Unified School District was established in 1947. The District is currently operating three elementary schools, one middle school, one high school, and one continuation high school.

**GOVERNING BOARD**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Alan R. Hodge	President	2005
Shana J. Levine	Vice President	2005
Steven A. Larson	Clerk	2005
Mike McClusky	Member	2006
Kim Poole	Member	2006

**ADMINISTRATION**

Wally Holbrook  
Superintendent

Susan Rinne  
Chief Business Official

**DIXON UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

For the Year Ended June 30, 2004

	<u>Second Period Report</u>	<u>Annual Report</u>
<b>Elementary:</b>		
Kindergarten	253	255
First through Third	828	828
Fourth through Eighth	1,406	1,408
Home and Hospital	2	2
Community Day School	1	1
Special Education	49	49
	<u>2,539</u>	<u>2,543</u>
<b>Secondary:</b>		
Regular Classes	1,035	1,031
Home and Hospital	2	2
Special Education	31	30
Community Day School	10	10
Continuation Education	52	50
	<u>1,130</u>	<u>1,123</u>
<b>Classes for Adults:</b>		
Concurrently Enrolled	9	8
Not Concurrently Enrolled	50	45
	<u>59</u>	<u>53</u>
	<u>3,728</u>	<u>3,719</u>
<b>Hours of Attendance</b>		
<b>Summer School:</b>		
Elementary	30,547	33,042
Secondary	22,030	22,284
	<u>52,577</u>	<u>55,326</u>

See accompanying notes to  
supplementary information.

**DIXON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
For the Year Ended June 30, 2004

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1992-83 Actual Minutes</u>	<u>2003-04 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	31,680	36,000	180	N/A	In Compliance
Grades 1 to 3	50,400	41,300	52,345	180	N/A	In Compliance
Grades 4 to 8	54,000	49,960	55,630	180	N/A	In Compliance
Grades 9 to 12	64,800	56,300	66,834	180	N/A	In Compliance

See accompanying notes to  
supplementary information.

**DIXON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
For the Year Ended June 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Catalog Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
Drug Free Schools	84.186	13453	\$ 29,275
ECIA - Title I	84.010	13797	505,604
Adult Basic Education	84.002A	13973	49,757
EHA (PL 94-142)	84.027	13379	3,910
National School Lunch Program	10.555	13391	513,378
School to Career	84.278	13390	3,444
Vocational Education	84.048	13924	6,692
ECIA - Title II	84.367	13612	60,203
Medi-Cal Billing Option	93.778	10013	20,876
Carl Perkins	84.048	13207	63,869
Migrant Summer Program	84.141	13340	28,820
School Renovation	84.352	14313	16,729
Advanced Placement	84.330	14303	585
Emergency Immigration	84.162	13159	86,416
Smaller Learning Communities	84.215L	-	45,000
ECIA Title X Homeless Children Education	84.196A	14332	50,000
ECIA Title IV 21st Century	84.287	14350	39,364
ECIA Title V Innovative Education	84.298A	14354	28,362
Child Care and Development Block Grant	93.575	13941	3,144
<b>Total Federal Programs</b>			<b>\$ 1,545,428</b>

See accompanying notes to  
supplementary information.

**DIXON UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT**  
**WITH AUDITED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2004

	<u>Bond Interest and Redemption Fund</u>	<u>Foundation Trust Fund</u>
June 30, 2004 Unaudited Actual Financial Report Fund Balances	\$ 10,074	\$ 201,899
Adjustments:		
Post activity related to cash with Fiscal Agent	433,017	37,186
Understatement of investments		<u>108,639</u>
June 30, 2004 Audited Financial Statements Fund Balances	<u>\$ 443,091</u>	<u>\$ 347,724</u>
		<u>Long-Term Liabilities</u>
June 30, 2004 Unaudited Actual Financial Report Total Long-Term Liabilities		\$ 22,287,984
Adjustments:		
Understatement of capitalized lease obligations		(59,906)
Understatement of Special Tax Bonds		<u>(49,577)</u>
June 30, 2004 Audited Financial Statements Total Long-Term Liabilities		<u>\$ 22,178,501</u>

See accompanying notes to supplementary information.

**DIXON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

For the Year Ended June 30, 2004

	<u>(Budgeted) 2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>General Fund</b>				
Revenues and other financing sources	<u>\$ 23,926,786</u>	<u>\$ 23,200,505</u>	<u>\$ 25,080,206</u>	<u>\$ 24,926,261</u>
Expenditures	23,780,307	23,238,488	25,637,630	24,798,687
Other uses and transfers out	<u>146,478</u>	<u>155,478</u>	<u>145,388</u>	<u>130,367</u>
Total outgo	<u>23,926,785</u>	<u>23,393,966</u>	<u>25,782,999</u>	<u>24,929,054</u>
Changes in fund balance	<u>\$ 1</u>	<u>\$ (193,481)</u>	<u>\$ (702,793)</u>	<u>\$ (2,793)</u>
Ending fund balance	<u>\$ 1,500,580</u>	<u>\$ 1,500,559</u>	<u>\$ 1,694,020</u>	<u>\$ 2,396,813</u>
Available reserves	<u>\$ 728,804</u>	<u>\$ 700,388</u>	<u>\$ 1,598,821</u>	<u>\$ 742,279</u>
Designated for economic uncertainties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 742,279</u>
Undesignated fund balance	<u>\$ 728,804</u>	<u>\$ 700,388</u>	<u>\$ 1,598,821</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>3.0%</u>	<u>3.0%</u>	<u>6.2%</u>	<u>3.0%</u>
<b>All Funds</b>				
Total long-term liabilities	<u>\$ 20,878,958</u>	<u>\$ 22,178,501</u>	<u>\$ 22,955,810</u>	<u>\$ 12,496,540</u>
Average daily attendance at P-2, excluding Adult	<u>3,669</u>	<u>3,669</u>	<u>3,668</u>	<u>3,672</u>

The General Fund fund balance has decreased by \$899,047 over the past three years. The fiscal year 2004-2005 budget projects an increase of \$1. For a district this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo). The District met this requirement.

The District has incurred operating deficits in each of the past three years, and anticipates incurring an operating surplus during the fiscal year 2004-2005.

Total long-term liabilities have increased by \$9,681,961 over the past two years.

Average daily attendance has decreased by 3 over the past two years. The District is not expecting a change in ADA budgeted for fiscal year 2004-2005.

See accompanying notes to supplementary information.

DIXON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2004

Charter Schools Chartered by District

Included in District  
Financial Statements, or  
Separate Report

There are currently no charter schools in the District.

See accompanying notes to  
supplementary information.

DIXON UNIFIED 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 in 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.

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

This schedule provides the information necessary to reconcile 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 2004-2005 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 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2004, the District did not adopt such a program.

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

Board of Education  
Dixon Unified School District  
Dixon, California

We have audited the compliance of Dixon Unified 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, 2004. Compliance with the requirements of State laws and regulations is the responsibility of Dixon Unified School District's management. Our responsibility is to express an opinion on Dixon Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Dixon Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Dixon Unified School District's compliance with those requirements.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Kindergarten Continuance	3	Yes
Independent Study	22	No (see below)
Continuation Education	10	Yes
Adult Education	9	No (see below)
Regional Occupational Center/Programs	6	Not applicable
Instructional Time and Staff Development Reform Program	7	Yes
Instructional Time:		
School Districts	4	Yes
County Offices of Education	3	Not applicable
Community Day Schools	9	No (see below)
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
Districts with only one school serving K-3	4	Not applicable
Instructional Materials:		
General requirements	9	No (see below)
Grades K-8	1	Yes
Grades 9-12	1	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Early Retirement Incentive Program	4	Not applicable
Gann Limit Calculation	1	Yes

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

We did not perform testing of Independent Study, Adult Education or Community Day School because the ADA for these programs was below the level that requires testing.

The Superintendent of Public Instruction has certified that for fiscal year 2003-04, the base revenue limit did not increase by at least one percent per unit of average daily attendance from the prior fiscal year; therefore, for fiscal year 2003-04, local education agencies are not subject to the requirements of *Education Code* Section 60119. Accordingly, we did not perform audit steps (b) and (c) under Section 19628 of the 2003-04 Audit Guide.

In our opinion, Dixon Unified School District complied with the State laws and regulations referred to above for the year ended June 30, 2004, except as described in the Schedule of Audit Findings and Questioned Costs section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Dixon Unified School District had not complied with the State laws and regulations.

*Perry - Smith LLP*

Sacramento, California  
December 29, 2004

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

Board of Education  
Dixon Unified School District  
Dixon, California

We have audited the financial statements of Dixon Unified School District as of and for the year ended June 30, 2004, and have issued our report thereon dated December 29, 2004. 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.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dixon Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Education, 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 29, 2004

**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 Education  
Dixon Unified School District  
Dixon, California

Compliance

We have audited the compliance of Dixon Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2004. Dixon Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major Federal programs is the responsibility of Dixon Unified School District's management. Our responsibility is to express an opinion on Dixon Unified School District's compliance based on our audit.

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

In our opinion, Dixon Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and that is described in the accompanying Schedule of Findings and Questioned Costs as item 4.

Internal Control Over Compliance

The management of Dixon Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Dixon Unified 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.



**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**

(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Education, 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 LP*

Sacramento, California  
December 29, 2004

**FINDINGS AND RECOMMENDATIONS**

**DIXON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2004

**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  
Reportable condition(s) 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  
Reportable condition(s) 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)? X Yes \_\_\_ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010 10.555	ECIA Title I 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  
Reportable condition(s) identified not considered  
to be material weaknesses? \_\_\_ Yes X None reported

Type of auditor's report issued on compliance for  
State programs: Qualified

**DIXON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
Year Ended June 30, 2004

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**1. INTERNAL CONTROL - STUDENT BODY (30000)**

Criteria

Internal Controls - Safeguarding of Assets

Conditions

At C.A. Jacobs Intermediate School:

- The ASB office does not issue receipt books to students/faculty for events generating money. Therefore, the ASB personnel are not able to distinguish if all the money generated by the student body is being deposited.
- When fundraising money is turned in it is not accompanied by a 'cash count' sheet detailing amounts, any receipts or where the money is from.
- When a Request for Funds is turned in there is no signature by advisor indicating approval.
- When an invoice is turned in for payment there is no signature indicating that it is okay to pay or that goods/services were received.
- It is not evident that monthly account reports are prepared and distributed.

Effect

ASB funds could be potentially misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal impact

Not applicable.

Recommendations

The District should implement and enforce internal controls, including:

- Receipt books or other supporting documentation should be used to record initial receipt of cash.
- The Student Body Advisor should sign a Request for Funds form to indicate approval.
- The individual who receives the goods or services should sign the invoice or packing slip to authorize payment.

DIXON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
(Continued)  
Year Ended June 30, 2004

**SECTION II - FINANCIAL STATEMENT FINDINGS**  
(Continued)

1. **INTERNAL CONTROL - STUDENT BODY (30000) (Continued)**

Recommendations (Continued)

- The person who turns in funds should provide a cash count form and indicate quantity and prices of item sold. A copy of the form should be given back to the person after the School Office Manager recounts money and signs the form as receipt.
- Create monthly account reports and turn in to District Office for review at least monthly.

Corrective Action Plan

The District Office will review procedures and policies with the Student Body Clerk at the site indicated. Monthly account reports will be produced and turned in to the District Office for review.

2. **INTERNAL CONTROL - EXCUSE NOTES (30000)**

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b), and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition

At C.A. Jacobs Intermediate School, excuse notes are not filed in a central location, rather in piles throughout the attendance office.

Effect

The lack of organization increases the risk that attendance may not be recorded accurately.

Cause

The attendance personnel fell behind in filing at the beginning of year and have not made the time for the rest of the year.

Fiscal impact

Not applicable.

DIXON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
(Continued)  
Year Ended June 30, 2004

**SECTION II - FINANCIAL STATEMENT FINDINGS**  
(Continued)

2. **INTERNAL CONTROL - EXCUSE NOTES (30000) (Continued)**

Recommendation

The site should implement a filing system in the attendance office to store all excuse notes. Excuse notes filing should be done on a timely basis. The Attendance Clerk could put a check mark on each one, prior to filing, to indicate that the attendance system has been updated.

Corrective Action Plan

The District Office will share this concern with the Site Principal. The Site Principal will be responsible for making sure this task is completed in a timely manner.

**DIXON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
Year Ended June 30, 2004

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**  
(Continued)

**3. FEDERAL COMPLIANCE - TITLE I (50000)**

Criteria

- If an LEA serves any attendance area with less than a 35 percent poverty rate, the LEA must allocate to all its participating areas an amount per poor child that equals at least 125 percent of the LEA's Part A allocation per poor child. (An LEA's allocation per poor child is the total LEA allocation under subpart 2 of Part A divided by the number of poor children in the LEA according to the poverty measure selected by the LEA to identify eligible school attendance areas. The LEA then multiplies this per-child amount by 125 percent.)
- An employee whose compensation is funded solely from a Single Cost Objective (i.e., consolidated administrative funds or combined school wide program) must furnish semi-annual certifications that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B paragraph 11.h.3.
- An employee paid in part from a Single Cost Objective, and in part with funds from other revenue sources, must maintain time and effort distribution records in accordance with OMB Circular A-87.

Conditions

- Three of the District's schools participating in Title I were below the 35 percent poverty level. As such, the District should be allocating 125 percent of the District's allocation per poor child to all participating schools. The District funded all participating schools at 100 percent of the District's allocation per poor child.
- Employees paid with Federal funds are not maintaining time and effort distribution records. Additionally, employees whose compensation is paid solely from a Single Cost Objective are not furnishing semi-annual certifications.

Effect

The District is not in compliance with Title I funding requirements, and may lose all federally funded payroll.

Cause

District management was not fully aware of these requirements.

Fiscal impact

Per expenditure report of all federally funded payroll, the questioned cost of this finding is \$913,784.

**DIXON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
Year Ended June 30, 2004

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**  
(Continued)

**3. FEDERAL COMPLIANCE - TITLE I (50000) (Continued)**

Recommendations

We recommend the following:

- The District should recalculate and reallocate Title I funds using the 125 percent allocation per poor child and make the appropriate budget transfers between the participating Title I schools.
- The District should require all employees paid with Federal funds to maintain time and effort distribution records, and all employees who are paid solely from a Single Cost Objective furnish semi-annual certifications.

Corrective Action Plan

The District did recalculate and reallocate Title I funds during the year to more accurately reflect the needs of the students. Title I funds are being used for Title I students.

**DIXON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
Year Ended June 30, 2004

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**  
(Continued)

**4. INSTRUCTIONAL MATERIALS (40000)**

Criteria

Title 5, California Code of Regulations, Section 19828. For Kindergarten and grades 1 through 8, instructional materials purchased by the District are required to be "adopted by the State Board of Education in March 1999 or later, are in one of the four eligible subject areas, and bear the copyright date and are of the editions of the materials adopted by the State Department of Education". For grades 9 through 12, instructional materials purchased by the District are required to be "reviewed and approved through a resolution adopted by the District's governing board as being aligned with State Board of Education-adopted content standards".

Condition

The District made an expenditure in the instructional materials resource code that was not State approved.

Effect

Textbooks were purchased with instructional materials funding that were not approved by the State Department of Education.

Cause

A purchased textbook was not on the State Board of Education-approved list.

Fiscal impact

The questioned cost of the exception was \$750, which extrapolated based on our population testing is a questioned cost of \$2,898.

Recommendation

We recommend the District transfer the unapproved expenditures to the appropriate resource code and verify all expenditures in the instructional materials resource code for compliance with State adopted standards.

Corrective Action Plan

The District will transfer the unapproved expenditures to the appropriate resource code. The Assistant Superintendent of Curriculum will verify all future expenditures in the Instructional Materials resource are in compliance with State adopted standards.

**DIXON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
Year Ended June 30, 2004

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**  
(Continued)

**5. ATTENDANCE (10000)**

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b), and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition

At Dixon High school three students were improperly counted as present for a total of four days.

Effect

Overstatement of ADA.

Cause

One student was marked absent for only one period of class on February 23, 2004, even though the absence note indicated that the student was out all day. One student was marked as being present on March 11, 2004 even though an absence note was received indicating that the student was home ill all day. One student was marked as being present on February 25 and 26, 2004 even though an absence note was received indicating that the student was home ill on both days.

Fiscal impact

The extrapolated effect of this finding is 7.92 ADA being disallowed representing approximately \$34,000 in funding. However, as the District is in declining enrollment, there is no current year impact.

Recommendation

The District should revise and resubmit the Second Period and Annual Reports of Attendance, reflecting the disallowance of the above ADA.

Corrective Action Plan

The District will amend and resubmit the Second Period and Annual Reports of Attendance to reflect this change in ADA.

**DIXON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
Year Ended June 30, 2004

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**  
(Continued)

**8. ATTENDANCE - CONTINUATION EDUCATION (10000)**

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b), and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition

At Maine Prairie High School, one student was identified on the attendance roster as being present. However the monthly summary indicates this student was absent on that day.

Effect

Overstatement of ADA.

Cause

One student was marked present for all three periods on the attendance roster, even though the absence note indicated that the student was absent all day.

Fiscal impact

The extrapolated effect of this finding is 2.64 ADA being disallowed representing approximately \$11,300 in funding. However, as the District is in declining enrollment, there is no current year impact.

Recommendation

The District should revise and resubmit the Second Period and Annual Reports of Attendance, reflecting the disallowance of the above ADA.

Corrective Action Plan

The District will amend and resubmit the Second Period and Annual Reports of Attendance to reflect this change in ADA.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

**DIXON UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
Year Ended June 30, 2004

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2003-1		
The Cafeteria depository bank account reconciliation is not reviewed for accuracy. The District should implement procedures to ensure the bank account reconciliation is reviewed for accuracy.	Implemented.	
2003-2		
Receipt books are not issued for Student Body fundraising activities. There is no segregation of duties for receiving money, preparing the deposit and making the deposit for Student Body funds. Deposits are not made frequently. Student Body personnel do not review open purchase orders. Student Body personnel should use receipt books for fundraising activities, receipts should be counted in dual custody. The deposits should be prepared and deposited by separate individuals, and should be made at least weekly. Student Body personnel should review open purchase orders.	Not implemented.	Refer to current year finding #1.
2003-3		
At one school, student absence notes are filed in instructor's classrooms. The school should develop procedures for student absence notes to be filed in the School Office.	Implemented.	
2003-4		
Several Continuation Education roll sheets did not agree to supporting documentation. In addition, the register was not mathematically correct. The District should amend and refile the Second Period Report of Attendance. In addition, the District should implement procedures to verify the accuracy of attendance reports.	Implemented.	

**DIXON UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
Year Ended June 30, 2004

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2003-5		
Attendance errors were caused because students were enrolled in five classes, but the system enrolled them in seven classes. The errors resulted in Average Daily Attendance being overstated by 5.19 ADA. The District should review procedures for enrolling students. The District should also revise and resubmit the Second Period Report of Attendance.	Implemented.	

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**APPENDIX B**

**PROPOSED FORM OF LEGAL OPINION**

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April 5, 2005

Board of Trustees  
Dixon Unified School District  
180 South First Street, Suite 6  
Dixon, California 95620-2702

Re:           \$16,180,686.20  
              Dixon Unified School District  
              Solano County, California  
              General Obligation Bonds  
              Election of 2002, Series 2005  
              *Final Bond Counsel Opinion*

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Dixon Unified School District (the "District"), on its own behalf of \$16,180,686.20 principal amount of Dixon Unified School District, Solano County, California, General Obligation Bonds, Election of 2002, Series 2005 (the "Bonds"). We have examined such law and such certified proceedings and other papers as we deem necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the certified proceedings and other 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 that, under existing law:

1.       The Bonds have been duly authorized and executed and are valid and binding general obligations of the District.

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

3.       Interest on the Bonds is excludable 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; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the

Board of Trustees  
Dixon Unified School District  
April 5, 2005  
Page 2

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 the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. Interest on the Bonds is exempt from State of California personal income taxes.

The rights of the owners of the Bonds and the enforceability thereof are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD,  
A Professional Corporation

**APPENDIX C**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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**\$16,180,686.20**  
**DIXON UNIFIED SCHOOL DISTRICT**  
**SOLANO COUNTY, CALIFORNIA**  
**GENERAL OBLIGATION BONDS**  
**ELECTION OF 2002, SERIES 2005**

**CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Dixon Unified School District (the "District") in connection with the issuance of \$16,180,686.20 aggregate principal amount of Dixon Unified School District, Solano County, California, General Obligation Bonds, Election of 2002, Series 2005 (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated April 1, 2003 between the District, the County of Solano, and Wells Fargo Bank, National Association (the "Paying Agent"), as supplemented by that certain First Supplemental Indenture, dated April 1, 2005 between the District and the Paying Agent (together, the "Indenture"). 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 Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** The terms defined in this Section shall, for all purposes of this Disclosure Certificate, have the meanings herein specified. Capitalized terms used in this Disclosure Certificate and not otherwise defined in this Section shall have the meanings specified in the Indenture.

**Annual Report** means any annual report provided by the District pursuant to, and as described in, Sections 3 (Provision of Annual Reports) and 4 (Content of Annual Reports) of this Disclosure Certificate.

**Beneficial Owner** means any person that (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

**Bondholders** means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

**CPO** means the Internet-based filing system currently located at [www.DisclosureUSA.org](http://www.DisclosureUSA.org), or such other similar filing system approved by the Securities and Exchange Commission.

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

**Listed Events** means any of the events listed in Section 5(a) (Reporting of Significant Events -- Listed Events) of this Disclosure Certificate.

**National Repository** means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. A list of the National Repositories approved by the Securities and Exchange Commission is available at [www.sec.gov/info/municipal/nrmsir](http://www.sec.gov/info/municipal/nrmsir).

**Official Statement** means the final Official Statement relating to the Bonds dated March 22, 2005.

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

**Repository** means each National Repository and each State Repository.

**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.

**State** means the State of California.

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

### **SECTION 3. Provision of Annual Reports.**

a. Delivery of Annual Report to Repositories. The District shall, or shall cause the Dissemination Agent to, not later than nine months following the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2004-2005 Fiscal Year, provide to each Repository (or to the CPO pursuant to subsection (f) (Delivery of Annual Report to CPO)) an Annual Report that is consistent with the requirements of Section 4 (Content of Annual Reports) of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents within a package and may include by reference other information, as provided in Section 4 (Content of Annual Reports) of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

b. Change of Fiscal Year. 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(d) (Notice of Listed Events).

c. Delivery of Annual Report to Dissemination Agent. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report



to the Repositories, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

d. Report of Non-Compliance. If the District is unable to provide an Annual Report to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as *Exhibit A*. In lieu of filing the notice with each Repository, the Dissemination Agent may file such notice with the CPO.

e. Annual Compliance Certification. The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of each Repository; and

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

f. Delivery of Annual Report to CPO. In lieu of filing the Annual Report with each Repository in accordance with subsection (a) (Delivery of Annual Report to Repositories), the Dissemination Agent may file such Annual Report solely with the CPO.

**SECTION 4. Content of Annual Reports.** The District's Annual Report shall contain or include by reference the following:

a. Financial Statements. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) (Delivery of Annual Report to Repositories), 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. Interim Financial Report. The most recent Interim Financial Report submitted by the Superintendent to the District's governing board in accordance with Education Code section 42130 (or its successor statutory provision) together with any supporting materials submitted to the governing board;

c. Annual Budget. The District's approved annual budget for the then-current fiscal year;

d. Assessed Value. Assessed value of taxable property (secured, unsecured, and total) in the District as shown on the most recent equalized assessment roll; and

e. Average Daily Attendance. The most recently available Average Daily Attendance for the District

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

#### **SECTION 5. Reporting of Significant Events.**

a. Listed Events. Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (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 or events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of Bondholders;
- (8) bond calls;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds;
- (11) rating changes; and
- (12) initiation of bankruptcy proceedings by the District.

b. Determination of Materiality of Listed Events. Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

c. Notice to Dissemination Agent. If the District has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d) (Notice of Listed Events).

d. Notice of Listed Events. The District shall file, or cause the Dissemination Agent to file, a notice of the occurrence of a Listed Event, if material, with the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) (bond calls) and (9)

(defeasances) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Indenture.

e. Filing of Notice of Listed Events with CPO. In lieu of filing the notice of the occurrence of a Listed Event, if material, with the Municipal Securities Rulemaking Board and the State Repository in accordance with subsection (d) (Notice of Listed Events), the Dissemination Agent may file such notice of a Listed Event with the CPO.

**SECTION 6. 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 or upon the delivery to the District of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. 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(d) (Notice of Listed Events).

**SECTION 7. Dissemination Agent.**

a. Appointment of 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. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

b. Compensation of Dissemination Agent. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, Holders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

a. Change in Circumstances. If the amendment or waiver relates to the provisions of Sections 3(a) (Delivery of Annual Report to Repositories), 4 (Content of Annual Reports), or 5(a) (Listed Events), 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 the type of business conducted;

b. Compliance as of Issue Date. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c. Consent of Holders; Non-impairment Opinion. The amendment or waiver either (i) is approved by the Bondholders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d) (Notice of Listed Events), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this 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.** In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Participating Underwriter or Bondholder 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 Indenture, 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. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities that 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 wilful misconduct. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, Bondholders, or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the District or an opinion of nationally recognized bond counsel. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate.

**SECTION 12. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Bondholders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: April 5, 2005

**DIXON UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
Wally Holbrook, Superintendent

**EXHIBIT A**

**FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of District: Dixon Unified School District

Name of Bonds: Dixon Unified School District  
Solano County, California  
General Obligation Bonds  
Election of 2002, Series 2005

Date of Issuance: April 5, 2005

NOTICE IS HEREBY GIVEN that Dixon Unified School District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by a Continuing Disclosure Certificate executed on April 5, 2005, with respect to the above-captioned bond issue. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

**DIXON UNIFIED SCHOOL DISTRICT**

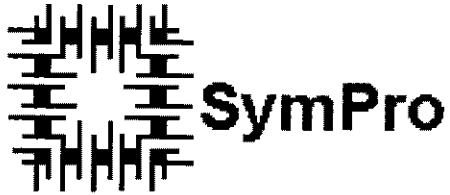
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*[sample only]*

**APPENDIX D**

**EXCERPTS FROM THE  
SOLANO COUNTY INVESTMENT PORTFOLIO REPORT**

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**Treasury Portfolio  
Portfolio Management  
Portfolio Summary  
April 30, 2004**

Solano County  
600 Texas Street  
Fairfield, CA 94533  
(707)421-6295

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Certificates of Deposit - Bank	2,900,000.00	2,900,000.00	2,900,000.00	0.47	304	122	1.388	1.407
Managed Pool Accounts	57,177,629.96	57,177,629.96	57,177,629.96	9.26	1	1	1.088	1.104
LAIF	23,326,268.90	23,326,268.90	23,326,268.90	3.78	1	1	1.282	1.300
Passbook/Checking Accounts	5,533,898.73	5,533,898.73	5,533,898.73	0.90	1	1	0.001	0.001
Negotiable CDs	10,000,000.00	10,000,000.00	10,000,000.00	1.62	366	53	0.900	0.913
Medium Term Notes	95,805,000.00	96,553,445.40	97,084,067.52	15.72	817	498	2.172	2.203
Federal Agency Coupon Securities	375,167,161.76	375,578,144.56	376,660,568.97	60.99	881	550	2.148	2.177
Treasury Coupon Securities	45,000,000.00	44,934,450.00	44,929,850.06	7.27	706	347	2.073	2.102
<b>Investments</b>	<b>614,909,959.35</b>	<b>616,003,837.55</b>	<b>617,612,284.14</b>	<b>100.00%</b>	<b>725</b>	<b>441</b>	<b>1.972</b>	<b>2.000</b>
<b>Cash and Accrued Interest</b>								
Passbook/Checking (not included in yield calculations)	10,095,038.71	10,095,038.71	10,095,038.71		1	1	0.000	0.000
Accrued Interest at Purchase		160,526.12	160,526.12					
Subtotal		10,255,564.83	10,255,564.83					
<b>Total Cash and Investments</b>	<b>625,004,998.06</b>	<b>626,259,402.38</b>	<b>627,867,848.97</b>		<b>725</b>	<b>441</b>	<b>1.972</b>	<b>2.000</b>
<b>Total Earnings</b>								
	<b>April 30 Month Ending</b>	<b>Fiscal Year To Date</b>						
Current Year	1,009,488.37	9,386,246.40						
<b>Average Daily Balance</b>	<b>633,910,293.84</b>	<b>561,295,581.03</b>						
<b>Effective Rate of Return</b>	<b>1.94%</b>	<b>2.00%</b>						

Charles Lomeli, Treasurer

**Treasury Portfolio**  
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
<b>Certificates of Deposit - Bank</b>												
SYS2209	2209	First Northern Bank of Dixon		08/09/2003	500,000.00	500,000.00	500,000.00	1.650	A	1.673	100	08/09/2004
SYS2220	2220	BANK OF RIO VISTA		09/16/2003	400,000.00	400,000.00	400,000.00	1.400	A	1.419	132	09/10/2004
SYS2207	2207	BANK OF THE WEST		08/01/2003	1,000,000.00	1,000,000.00	1,000,000.00	0.850	AA	0.862	103	08/12/2004
SYS2261	2261	BANK OF THE WEST		04/02/2004	1,000,000.00	1,000,000.00	1,000,000.00	1.790	AA	1.815	149	09/27/2004
<b>Subtotal and Average</b>			<b>2,833,333.33</b>		<b>2,900,000.00</b>	<b>2,900,000.00</b>	<b>2,900,000.00</b>			<b>1.407</b>	<b>122</b>	
<b>Managed Pool Accounts</b>												
SYS2136	2136	Cal Trust 2136 short 2137 med			23,068,648.26	23,068,648.26	23,068,648.26	1.300	AAA	1.300	1	
SYS2137	2137	Cal Trust 2136 short 2137 med			10,040,129.87	10,040,129.87	10,040,129.87	1.500	AAA	1.500	1	
CAMP	1629	CA Asset Management Program			24,068,851.83	24,068,851.83	24,068,851.83	0.750	Aaa	0.750	1	
<b>Subtotal and Average</b>			<b>51,231,537.25</b>		<b>57,177,629.96</b>	<b>57,177,629.96</b>	<b>57,177,629.96</b>			<b>1.104</b>	<b>1</b>	
<b>LAIF</b>												
SYS1049	1049	LAIF			23,326,268.90	23,326,268.90	23,326,268.90	1.300		1.300	1	
<b>Subtotal and Average</b>			<b>23,326,268.90</b>		<b>23,326,268.90</b>	<b>23,326,268.90</b>	<b>23,326,268.90</b>			<b>1.300</b>	<b>1</b>	
<b>Passbook/Checking Accounts</b>												
BANK SWEEP	1628	BANK OF AMERICA			5,264,914.97	5,264,914.97	5,264,914.97	0.001	Aa2	0.001	1	
SAFE SWEEP	1577	WELLS FARGO			268,983.76	268,983.76	268,983.76	0.001	Aa1	0.001	1	
SYS1941	1941	WELLS FARGO			0.00	0.00	0.00	0.001	Aa1	0.001	1	
<b>Subtotal and Average</b>			<b>29,316,798.24</b>		<b>5,533,898.73</b>	<b>5,533,898.73</b>	<b>5,533,898.73</b>			<b>0.001</b>	<b>1</b>	
<b>Negotiable CDs</b>												
13606UMK7	2174	Canadian Imp Bk NY		06/23/2003	10,000,000.00	10,000,000.00	10,000,000.00	0.900	Aa3	0.913	53	06/23/2004
<b>Subtotal and Average</b>			<b>10,000,000.00</b>		<b>10,000,000.00</b>	<b>10,000,000.00</b>	<b>10,000,000.00</b>			<b>0.913</b>	<b>53</b>	
<b>Medium Term Notes</b>												
002824AL4	2121	Abbott Laboratories		01/22/2003	5,700,000.00	5,738,646.00	5,731,036.99	5.125	A1	1.800	61	07/01/2004
45974VXT0	2118	International Lease Finance		01/17/2003	5,000,000.00	5,000,000.00	5,001,573.50	5.350	A1	2.453	4	05/05/2004
025816AK5	2185	American Express		07/08/2003	5,130,000.00	5,167,859.40	5,172,080.09	6.750	A1	1.132	54	06/24/2004
06423AAW3	2178	Banc One Corporation		06/30/2003	5,000,000.00	4,762,350.00	4,993,754.17	2.625	A1	2.657	1,521	06/30/2008
073902CF3	2257	Bear Stearns Co		03/31/2004	3,000,000.00	2,864,940.00	2,992,625.42	3.250	Aa3	3.303	1,789	03/25/2009
172967BA8	2254	Citi Corp		03/26/2004	5,000,000.00	5,334,300.00	5,395,561.16	6.750	Aa1	1.661	579	12/01/2005
125581AJ7	2256	CIT Group Inc		04/01/2004	1,000,000.00	955,770.00	997,482.67	3.375	A2	3.437	1,796	04/01/2009

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**Treasury Portfolio**  
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
<b>Medium Term Notes</b>												
24240VAN1	2228	Dean Witter Discover		10/22/2003	2,425,000.00	2,560,800.00	2,581,052.34	6.300	Aa3	2.400	624	01/15/2006
36962GD84	2215	General Electric Cap Corp		08/21/2003	10,000,000.00	10,019,300.00	10,000,000.00	2.240	Aaa	2.240	475	08/19/2005
36962GA46	2154	General Electric Capitol Corp		04/21/2003	10,000,000.00	10,060,300.00	10,066,992.59	2.850	Aaa	2.450	639	01/30/2006
437076AG7	2047	Home Depot		06/03/2002	5,000,000.00	5,091,750.00	5,051,749.76	6.500	AA3	3.576	137	09/15/2004
59018YRF0	2177	Merrill Lynch		07/01/2003	5,000,000.00	4,932,500.00	4,995,875.82	2.070	Aa3	2.110	772	06/12/2006
59018YKB6	2181	Merrill Lynch		07/07/2003	5,000,000.00	5,016,700.00	5,025,657.99	5.350	Aa3	1.117	45	06/15/2004
89233PRP3	2244	Toyota motor Corporation		01/13/2004	5,000,000.00	4,960,750.00	4,998,106.75	2.700	Aa1	2.715	1,004	01/30/2007
91159HGA2	2156	US BANC Corp		04/23/2003	10,000,000.00	10,306,500.00	10,304,001.27	4.750	Aa3	2.064	425	06/30/2005
91159HFB1	2184	US BANC Corp		07/08/2003	5,550,000.00	5,579,970.00	5,586,289.42	6.500	Aa3	1.107	45	06/15/2004
94974BAQ3	2227	Wells Fargo		10/22/2003	5,000,000.00	5,161,200.00	5,166,610.99	4.800	Aa1	2.058	454	07/29/2005
931142BD4	2046	Walmart		06/03/2002	3,000,000.00	3,039,810.00	3,023,616.59	6.550	AA2	3.546	101	08/10/2004
<b>Subtotal and Average</b>			<b>97,169,214.85</b>		<b>95,805,000.00</b>	<b>96,553,445.40</b>	<b>97,084,067.52</b>			<b>2.203</b>	<b>498</b>	
<b>Federal Agency Coupon Securities</b>												
470172AA5	1068	Aid Loan Jamaica		06/30/1998	141,666.69	141,666.69	141,666.69	1.000	AAA	2.444	3,079	10/05/2012
438180AD3	1067	Aid Loan Honduras		02/01/1998	250,495.07	250,495.07	250,495.07	1.000	AAA	2.528	2,713	10/05/2011
31331QM87	2162	Federal Farm Credit Bank		05/23/2003	6,400,000.00	6,382,592.00	6,396,003.43	1.500	AAA	1.560	387	05/23/2005
31331TTV3	2249	Federal Farm Credit Bank		02/09/2004	5,000,000.00	4,942,950.00	4,984,497.04	2.125	AAA	2.270	807	07/17/2006
31331TA35	2255	Federal Farm Credit Bank		03/29/2004	5,000,000.00	4,903,850.00	5,000,000.00	2.440	AAA	2.440	1,062	03/29/2007
3133MJUS7	2017	Fed Home Loan Bank		04/12/2002	3,735,000.00	3,777,466.95	3,721,836.23	3.375	AAA	4.070	198	11/15/2004
3133MNPS4	2040	Fed Home Loan Bank		05/15/2002	10,000,000.00	10,007,100.00	9,999,571.63	3.375	AAA	3.490	14	05/15/2004
3133MNS69	2053	Fed Home Loan Bank		07/12/2002	5,000,000.00	5,103,000.00	5,042,282.66	4.125	AAA	3.260	377	05/13/2005
3133MQ3S1	2065	Fed Home Loan Bank		08/13/2002	5,000,000.00	5,080,500.00	5,021,377.45	3.250	AAA	2.902	471	08/15/2005
3133MQUW2	2069	Fed Home Loan Bank		08/15/2002	10,000,000.00	9,999,000.00	9,999,559.61	2.250	AAA	2.266	104	08/13/2004
3133MQUW2	2070	Fed Home Loan Bank		08/15/2002	5,000,000.00	4,999,500.00	4,998,494.15	2.250	AAA	2.359	104	08/13/2004
3133MQ3S1	2073	Fed Home Loan Bank		08/20/2002	5,000,000.00	5,080,500.00	5,011,956.09	3.250	AAA	3.055	471	08/15/2005
3133MQUW2	2079	Fed Home Loan Bank		09/05/2002	5,000,000.00	4,999,500.00	5,001,709.74	2.250	AAA	2.126	104	08/13/2004
3133MTL71	2091	Fed Home Loan Bank		11/07/2002	5,000,000.00	4,991,500.00	4,999,075.30	2.000	AAA	2.035	198	11/15/2004
3133MTL71	2096	Fed Home Loan Bank		11/22/2002	5,000,000.00	4,991,500.00	4,993,741.94	2.000	AAA	2.238	198	11/15/2004
3133MUMU6	2103	Fed Home Loan Bank		01/02/2003	5,000,000.00	5,019,500.00	5,022,085.42	2.500	AAA	2.217	593	12/15/2005
3133MUMU6	2104	Fed Home Loan Bank		01/03/2003	5,000,000.00	5,019,500.00	5,007,588.70	2.500	AAA	2.402	593	12/15/2005
3133M9ER9	2124	Fed Home Loan Bank		02/20/2003	5,910,000.00	5,988,248.40	5,989,146.99	6.250	AAA	1.455	104	08/13/2004
3133MQST2	2127	Fed Home Loan Bank		02/20/2003	10,000,000.00	10,125,000.00	10,122,402.68	3.000	AAA	2.021	471	08/15/2005
3133MTL71	2140	Fed Home Loan Bank		04/03/2003	6,300,000.00	6,289,290.00	6,314,490.00	2.000	AAA	1.571	198	11/15/2004
3133MTL89	2146	Fed Home Loan Bank		04/11/2003	10,000,000.00	10,008,000.00	10,072,957.17	2.500	AAA	2.015	563	11/15/2005

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**Treasury Portfolio  
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April 30, 2004**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
<b>Federal Agency Coupon Securities</b>												
3133MWXE6	2149	Fed Home Loan Bank		04/15/2003	10,000,000.00	9,964,000.00	9,982,608.89	1.625	AAA	1.809	349	04/15/2005
3133MNS69	2155	Fed Home Loan Bank		04/22/2003	10,000,000.00	10,206,000.00	10,228,119.84	4.125	AAA	1.864	377	05/13/2005
3133MFVA3	2169	Fed Home Loan Bank		06/17/2003	10,000,000.00	10,040,000.00	10,059,535.04	4.750	AAA	0.962	58	06/28/2004
3133MQST2	2173	Fed Home Loan Bank		06/19/2003	5,000,000.00	5,062,500.00	5,107,001.03	3.000	AAA	1.310	471	08/15/2005
31339XXL3	2175	Fed Home Loan Bank		07/08/2003	5,000,000.00	4,915,400.00	4,994,244.05	1.500	AAA	1.544	982	01/08/2007
31339YG97	2176	Fed Home Loan Bank		07/21/2003	10,000,000.00	9,857,300.00	10,000,000.00	2.020	AAA	2.020	811	07/21/2006
31339YMQ2	2182	Fed Home Loan Bank		07/28/2003	8,000,000.00	7,922,560.00	8,000,000.00	2.250	AAA	2.250	818	07/28/2006
31339XLS1	2186	Fed Home Loan Bank		07/10/2003	12,055,000.00	12,009,914.30	12,059,428.05	1.435	AAA	1.400	398	06/03/2005
3133MQ3S1	2193	Fed Home Loan Bank		07/17/2003	10,000,000.00	10,161,000.00	10,203,155.08	3.250	AAA	1.640	471	08/15/2005
3133MNS69	2213	Fed Home Loan Bank		08/19/2003	7,190,000.00	7,338,114.00	7,362,954.07	4.125	AAA	1.750	377	05/13/2005
3133X1MW4	2234	Fed Home Loan Bank		11/04/2003	4,535,000.00	4,528,514.95	4,525,077.73	2.000	AAA	2.153	537	10/20/2005
3133X3FFS	2246	Fed Home Loan Bank		01/27/2004	10,000,000.00	9,960,900.00	10,000,000.00	3.165	AAA	3.165	1,182	07/27/2007
3133X3V59	2250	Fed Home Loan Bank		02/27/2004	10,000,000.00	10,029,100.00	10,000,000.00	3.000	AAA	3.000	1,763	02/27/2009
3133X14N4	2251	Fed Home Loan Bank		03/04/2004	5,000,000.00	5,012,000.00	5,076,260.04	2.875	AAA	2.215	867	09/15/2006
3133X4C66	2252	Fed Home Loan Bank		03/05/2004	5,000,000.00	4,972,500.00	4,993,369.46	2.625	AAA	2.674	1,021	02/16/2007
3133X4UV1	2253	Fed Home Loan Bank		03/24/2004	10,000,000.00	9,888,500.00	9,995,137.04	3.140	AAA	3.155	1,332	12/24/2007
3133X5PN2	2259	Fed Home Loan Bank		04/01/2004	5,000,000.00	4,951,550.00	4,997,708.45	2.000	AAA	2.013	1,336	12/28/2007
3133X4KJ9	2260	Fed Home Loan Bank		04/02/2004	5,000,000.00	4,967,000.00	5,001,472.59	1.500	AAA	1.477	482	08/26/2005
3133X5GE2	2263	Fed Home Loan Bank		04/15/2004	5,000,000.00	4,930,050.00	5,000,000.00	3.070	AAA	3.071	1,354	01/15/2008
3133X06K0	2264	Fed Home Loan Bank		04/23/2004	5,000,000.00	4,954,000.00	4,978,335.34	2.375	AAA	2.570	836	08/15/2006
3133X66E1	2265	Fed Home Loan Bank		04/28/2004	5,420,000.00	5,428,563.60	5,399,750.28	2.460	AAA	2.634	818	07/28/2006
3128X0PW3	2101	Freddie Mac		12/16/2002	4,615,000.00	4,625,799.10	4,615,000.00	3.000	AAA	3.000	594	12/16/2005
3134A4RA4	2165	Freddie Mac		06/02/2003	10,000,000.00	10,111,000.00	10,186,075.33	2.875	AAA	1.490	502	09/15/2005
312924HS5	2187	Freddie Mac		07/10/2003	9,615,000.00	9,742,879.50	9,741,033.59	4.230	AAA	1.210	161	10/09/2004
3134A4TX2	2230	Freddie Mac		10/24/2003	5,000,000.00	4,970,500.00	4,972,202.76	1.500	AAA	1.932	471	08/15/2005
3136F3P26	2197	Fannie Mae		07/23/2003	5,000,000.00	4,973,600.00	5,000,000.00	2.000	Aaa	2.000	632	01/23/2006
3136F3VZ6	2203	Fannie Mae		07/28/2003	3,000,000.00	2,979,720.00	2,992,401.90	1.750	Aaa	1.915	577	11/29/2005
3136F4JX3	2224	Fannie Mae		10/08/2003	3,000,000.00	3,004,020.00	2,991,686.42	3.850	Aaa	3.920	1,614	10/01/2008
3136F4MG6	2232	Fannie Mae		10/27/2003	10,000,000.00	9,821,300.00	9,972,950.62	2.000	Aaa	2.161	636	01/27/2006
3136F4QV9	2235	Fannie Mae		11/17/2003	5,000,000.00	5,020,400.00	5,000,000.00	2.000	Aaa	2.000	930	11/17/2006
3136F4L85	2248	Fannie Mae		01/30/2004	5,000,000.00	5,005,700.00	4,998,657.08	2.000	Aaa	2.012	789	06/29/2006
3136F5JT9	2258	Fannie Mae		03/31/2004	5,000,000.00	4,914,400.00	4,997,583.52	2.070	Aaa	2.088	881	09/29/2006
86387UAX3	1929	Sallie Mae Corp		09/04/2001	5,000,000.00	5,032,200.00	5,004,483.07	5.000	AAA	4.428	60	06/30/2004
86387UAX3	2011	Sallie Mae Corp		04/01/2002	5,000,000.00	5,032,200.00	5,007,344.00	5.000	AAA	4.050	60	06/30/2004
86387UBF1	2086	Sallie Mae Corp		09/26/2002	5,000,000.00	5,023,850.00	5,012,120.49	3.375	AAA	2.135	75	07/15/2004

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**Treasury Portfoliolo  
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April 30, 2004**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
<b>Federal Agency Coupon Securities</b>												
86387UBF1	2115	Sallie Mae Corp		01/14/2003	5,000,000.00	5,023,850.00	5,017,337.34	3.375	AAA	1.660	75	07/15/2004
83687UAX3	2183	Sallie Mae Corp		07/07/2003	15,000,000.00	15,096,600.00	15,096,597.88	5.000	AAA	1.037	60	06/30/2004
<b>Subtotal and Average</b>			<b>365,763,151.32</b>		<b>375,167,161.76</b>	<b>375,578,144.56</b>	<b>376,660,588.97</b>			<b>2.177</b>	<b>550</b>	
<b>Federal Agency Disc. -Amortizing</b>												
<b>Subtotal and Average</b>			<b>9,332,596.10</b>									
<b>Treasury Coupon Securities</b>												
9128275F5	1993	US T-Note		02/22/2002	10,000,000.00	10,012,500.00	10,007,910.52	5.250	AAA	3.097	14	05/15/2004
912828AL4	2139	US T-Note		04/03/2003	10,000,000.00	10,031,300.00	10,019,791.67	1.875	AAA	1.392	152	09/30/2004
912828BN9	2233	US T-Note		11/04/2003	15,000,000.00	14,920,350.00	14,939,932.94	1.625	AAA	1.898	548	10/31/2005
912828BS8	2236	US T-Note		12/02/2003	10,000,000.00	9,970,300.00	9,962,214.93	1.875	AAA	2.120	578	11/30/2005
<b>Subtotal and Average</b>			<b>44,937,393.86</b>		<b>45,000,000.00</b>	<b>44,934,450.00</b>	<b>44,929,850.06</b>			<b>2.102</b>	<b>347</b>	
<b>Total Investments and Average</b>			<b>633,910,293.84</b>		<b>614,909,959.35</b>	<b>616,003,837.55</b>	<b>617,612,284.14</b>			<b>2.000</b>	<b>441</b>	

**Treasury Portfolio  
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Portfolio Details - Cash  
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity
<b>Passbook/Checking Accounts</b>											
SYS1057	1057	BANK OF AMERICA			118,971.50	118,971.50	118,971.50	0.001	Aa2	0.001	1
SYS1060	1060	CASH IN TREASURY			5,187,589.90	5,187,589.90	5,187,589.90			0.000	1
SYS1059	1059	WELLS FARGO			4,788,477.31	4,788,477.31	4,788,477.31	0.001	Aa1	0.001	1
		<b>Average Balance</b>	<b>0.00</b>	Accrued Interest at Purchase		160,526.12	160,526.12				1
				Subtotal		10,255,564.83	10,255,564.83				
<b>Total Cash and Investments</b>			<b>633,910,293.84</b>		<b>625,004,998.06</b>	<b>626,259,402.38</b>	<b>627,867,848.97</b>			<b>2.000</b>	<b>441</b>

**Treasury Portfolio  
Portfolio Management  
Investment Activity By Type  
April 1, 2004 through April 30, 2004**

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Sales/Maturities or Withdrawals	Balance
<b>Certificates of Deposit - Bank</b>							
SYS2225	2225	BANK OF THE WEST	0.850	04/01/2004	0.00	1,000,000.00	
SYS2261	2261	BANK OF THE WEST	1.790	04/02/2004	1,000,000.00	0.00	
<b>Subtotal</b>					<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>2,900,000.00</b>
<b>Managed Pool Accounts (Monthly Summary)</b>							
CAMP	1629	CA Asset Management Program	0.750		35,013,199.36	35,000,000.00	
<b>Subtotal</b>					<b>35,013,199.36</b>	<b>35,000,000.00</b>	<b>57,177,629.96</b>
<b>LAIF (Monthly Summary)</b>							
<b>Subtotal</b>							<b>23,326,268.90</b>
<b>Passbook/Checking Accounts (Monthly Summary)</b>							
SYS1057	1057	BANK OF AMERICA	0.001		149,493,498.22	149,494,988.31	
BANK SWEEP	1628	BANK OF AMERICA	0.001		100,708,739.26	100,442,174.98	
SYS1060	1060	CASH IN TREASURY			140,911,435.75	140,905,002.01	
SYS1059	1059	WELLS FARGO	0.001		256,777,904.26	256,781,570.45	
SAFE SWEEP	1577	WELLS FARGO	0.001		107,148,603.87	107,000,899.56	
<b>Subtotal</b>					<b>755,040,181.36</b>	<b>754,624,635.31</b>	<b>5,533,898.73</b>
<b>Negotiable CDs</b>							
<b>Subtotal</b>							<b>10,000,000.00</b>
<b>Medium Term Notes</b>							
125581AJ7	2256	CIT Group Inc	3.375	04/01/2004	997,440.00	0.00	
<b>Subtotal</b>					<b>997,440.00</b>	<b>0.00</b>	<b>97,084,067.52</b>
<b>Federal Agency Coupon Securities</b>							
470172AA5	1068	Aid Loan Jamaica	1.000	04/12/2004	0.00	8,333.33	
438180AD3	1067	Aid Loan Honduras	1.000	04/06/2004	0.00	16,633.67	
3133X5PN2	2259	Fed Home Loan Bank	2.000	04/01/2004	4,997,656.25	0.00	
3133X4KJ9	2260	Fed Home Loan Bank	1.500	04/02/2004	5,001,562.50	0.00	
3133X5GE2	2263	Fed Home Loan Bank	3.070	04/15/2004	5,000,000.00	0.00	
3133X06K0	2264	Fed Home Loan Bank	2.375	04/23/2004	4,978,125.00	0.00	
3133X66E1	2265	Fed Home Loan Bank	2.460	04/28/2004	5,399,675.00	0.00	

**Treasury Portfolio  
Portfolio Management  
Investment Activity By Type  
April 1, 2004 through April 30, 2004**

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Sales/Maturities or Withdrawals	Balance
<b>Subtotal</b>					<b>25,377,018.75</b>	<b>24,967.00</b>	<b>376,660,568.97</b>
<b>Federal Agency Disc. -Amortizing</b>							
313384VU0	2262	Fed Home Loan Bank		04/12/2004	39,992,611.11	0.00	
313384VU0	2262			04/19/2004	0.00	40,000,000.00	
<b>Subtotal</b>					<b>39,992,611.11</b>	<b>40,000,000.00</b>	<b>0.00</b>
<b>Treasury Coupon Securities</b>							
<b>Subtotal</b>							<b>44,929,850.06</b>
<b>Total</b>					<b>857,420,450.58</b>	<b>830,649,602.31</b>	<b>617,612,284.14</b>



**Treasury Portfolio  
Portfolio Management  
Investment Activity Summary  
April 2003 through April 2004**

Month End	Year	Number of Securities	Total Invested	Yield to Maturity		Managed Pool Rate	Number of Securities Purchased	Number of Securities Matured / Sold	Average Term	Average Days to Maturity
				360 Equivalent	365 Equivalent					
April	2003	89	554,240,972.93	2.328	2.361	1.539	20	18	581	349
May	2003	86	511,667,353.07	2.356	2.389	1.615	7	10	626	376
June	2003	81	591,299,738.80	1.930	1.957	0.993	10	15	553	346
July	2003	89	588,134,403.62	1.942	1.969	1.215	28	20	632	446
August	2003	87	587,042,476.26	1.878	1.904	1.150	13	15	631	460
September	2003	84	574,221,771.78	1.837	1.862	1.131	4	7	638	453
October	2003	86	557,559,964.47	1.914	1.940	1.361	10	11	680	482
November	2003	85	547,040,395.21	1.915	1.941	1.360	3	4	695	481
December	2003	86	565,811,596.82	1.922	1.948	1.295	8	7	683	453
January	2004	85	566,706,148.09	1.919	1.945	1.188	5	6	682	441
February	2004	84	570,039,269.56	1.883	1.909	1.070	2	3	685	427
March	2004	84	555,190,118.62	1.943	1.970	1.092	2	2	700	420
April	2004	95	617,612,284.14	1.972	2.000	1.104	8	4	725	441
<b>Average</b>		<b>86</b>	<b>568,197,422.57</b>	<b>1.980%</b>	<b>2.007%</b>	<b>1.239</b>	<b>9</b>	<b>9</b>	<b>655</b>	<b>429</b>

**Treasury Portfolio  
Portfolio Management  
Distribution of Investments By Type  
April 2003 through April 2004**

Investment Type	April 2003	May 2003	June 2003	July 2003	August 2003	September 2003	October 2003	November 2003	December 2003	January 2004	February 2004	March 2004	April 2004	Average by Period
Certificates of Deposit - Bank	0.5	0.6	0.5	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5%
Managed Pool Accounts	6.2	6.4	12.9	7.4	8.6	9.3	5.9	6.1	6.6	8.1	11.1	10.7	9.3	8.3%
LAIF	5.2	3.0	1.1	0.0	3.6	3.4	4.4	1.9	4.3	4.3	1.8	3.3	3.8	3.1%
Passbook/Checking Accounts	3.9	1.0	7.6	2.4	1.7	3.5	2.5	3.4	2.0	2.4	3.3	0.1	0.9	2.7%
Negotiable CDs			1.7	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.6	1.5%
Medium Term Notes	11.8	12.7	9.8	11.8	13.5	13.2	15.0	15.3	14.7	15.6	15.4	15.8	15.7	13.9%
Bankers Acceptances -Amortizing														
Commercial Paper - Interest Bearing														
Commercial Paper Disc. -Amortizing														
Repurchase Agreements														
Federal Agency Coupon Securities	58.8	64.7	57.9	69.9	65.3	65.0	66.3	64.7	62.2	59.5	58.2	59.7	61.0	62.5%
Federal Agency Disc. -Amortizing	2.7	3.9	5.1	3.1	1.7									1.3%
Treasury Coupon Securities	10.9	7.9	3.4	3.4	3.4	3.5	3.6	6.4	8.0	7.9	7.9	8.1	7.3	6.3%
Treasury Discounts -Amortizing														
Miscellaneous Coupon Securities														
GIC														
Miscellaneous Discounts -Amortizing														
Pass Through Securities (GNMA/CMO)														
Municipal Bonds														

**Treasury Portfolio  
Portfolio Management  
Interest Earnings Summary  
April 30, 2004**

	April 30 Month Ending	Fiscal Year To Date
<b>CD/Coupon/Discount Investments:</b>		
Interest Collected	409,068.42	11,662,131.67
Plus Accrued Interest at End of Period	4,738,070.74	4,738,070.74
Less Accrued Interest at Beginning of Period	( 3,804,513.84)	( 3,603,160.43)
Less Accrued Interest at Purchase During Period	( 0.00)	( 0.00)
Interest Earned during Period	1,342,625.32	12,797,041.98
Adjusted by Premiums and Discounts	-406,279.49	-4,136,631.53
Adjusted by Capital Gains or Losses	0.00	84,905.44
Earnings during Period	936,345.83	8,745,315.89
<b>Pass Through Securities:</b>		
Interest Collected	0.00	0.00
Plus Accrued Interest at End of Period	0.00	0.00
Less Accrued Interest at Beginning of Period	( 0.00)	( 0.00)
Less Accrued Interest at Purchase During Period	( 0.00)	( 0.00)
Interest Earned during Period	0.00	0.00
Adjusted by Premiums and Discounts	0.00	0.00
Adjusted by Capital Gains or Losses	0.00	0.00
Earnings during Period	0.00	0.00
<b>Cash/Checking Accounts:</b>		
Interest Collected	0.00	0.00
Plus Accrued Interest at End of Period	4,595,681.95	4,595,681.95
Less Accrued Interest at Beginning of Period	( 4,522,539.41)	( 3,954,751.44)
Interest Earned during Period	73,142.54	640,930.51
<b>Total Interest Earned during Period</b>	<b>1,415,767.86</b>	<b>13,437,972.49</b>
<b>Total Adjustments from Premiums and Discounts</b>	<b>-406,279.49</b>	<b>-4,136,631.53</b>
<b>Total Capital Gains or Losses</b>	<b>0.00</b>	<b>84,905.44</b>
<b>Total Earnings during Period</b>	<b>1,009,488.37</b>	<b>9,386,246.40</b>

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## **APPENDIX E**

### **ACCRETED VALUE TABLES**

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**BOND ACCRETED VALUE TABLE**

Dixon Unified School District  
Election of 2002, Series 2005

Date	CABs 08/01/2006 2.7%	CABs 08/01/2007 2.9%	CABs 08/01/2008 11.97%	CABs 08/01/2009 10.399%	CABs 08/01/2010 9.544%	CABs 08/01/2011 9.138%
04/05/2005	4,825.80	4,676.60	3,398.05	3,226.05	3,044.15	2,842.00
08/01/2005	4,867.65	4,720.20	3,527.75	3,333.15	3,137.00	2,925.05
02/01/2006	4,933.35	4,788.65	3,738.90	3,506.50	3,286.70	3,058.70
08/01/2006	5,000.00	4,858.05	3,962.70	3,688.80	3,443.55	3,198.45
02/01/2007		4,928.50	4,199.85	3,880.60	3,607.85	3,344.55
08/01/2007		5,000.00	4,451.20	4,082.35	3,780.05	3,497.40
02/01/2008			4,717.60	4,294.65	3,960.40	3,657.20
08/01/2008			5,000.00	4,517.95	4,149.40	3,824.30
02/01/2009				4,752.85	4,347.40	3,999.00
08/01/2009				5,000.00	4,554.90	4,181.75
02/01/2010					4,772.25	4,372.80
08/01/2010					5,000.00	4,572.60
02/01/2011						4,781.50
08/01/2011						5,000.00
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**BOND ACCRETED VALUE TABLE**

Dixon Unified School District  
Election of 2002, Series 2005

Date	CABs	CABs	CABs	CABs	CABs	CABs
	08/01/2012 8.89%	08/01/2013 8.644%	08/01/2014 8.651%	08/01/2015 8.744%	08/01/2016 4.6%	08/01/2017 4.85%
04/05/2005	2,644.65	2,472.35	2,270.30	2,066.85	2,987.70	2,770.25
08/01/2005	2,719.80	2,540.70	2,333.10	2,124.65	3,031.80	2,813.35
02/01/2006	2,840.70	2,650.50	2,434.05	2,217.55	3,101.55	2,881.55
08/01/2006	2,967.00	2,765.05	2,539.30	2,314.50	3,172.90	2,951.45
02/01/2007	3,098.85	2,884.55	2,649.15	2,415.65	3,245.85	3,023.00
08/01/2007	3,236.60	3,009.25	2,763.75	2,521.30	3,320.50	3,096.35
02/01/2008	3,380.50	3,139.30	2,883.30	2,631.50	3,396.90	3,171.40
08/01/2008	3,530.75	3,274.95	3,008.00	2,746.55	3,475.00	3,248.30
02/01/2009	3,687.70	3,416.50	3,138.15	2,866.65	3,554.95	3,327.10
08/01/2009	3,851.60	3,564.20	3,273.85	2,992.00	3,636.70	3,407.80
02/01/2010	4,022.80	3,718.25	3,415.50	3,122.80	3,720.35	3,490.40
08/01/2010	4,201.60	3,878.95	3,563.20	3,259.30	3,805.90	3,575.05
02/01/2011	4,388.40	4,046.60	3,717.35	3,401.80	3,893.45	3,661.75
08/01/2011	4,583.45	4,221.45	3,878.15	3,550.55	3,983.00	3,750.55
02/01/2012	4,787.20	4,403.90	4,045.90	3,705.75	4,074.60	3,841.50
08/01/2012	5,000.00	4,594.25	4,220.90	3,867.80	4,168.35	3,934.65
02/01/2013		4,792.85	4,403.50	4,036.90	4,264.20	4,030.10
08/01/2013		5,000.00	4,593.95	4,213.40	4,362.30	4,127.80
02/01/2014			4,792.65	4,397.60	4,462.60	4,227.90
08/01/2014			5,000.00	4,589.85	4,565.25	4,330.45
02/01/2015				4,790.55	4,670.25	4,435.45
08/01/2015				5,000.00	4,777.65	4,543.00
02/01/2016					4,887.55	4,653.20
08/01/2016					5,000.00	4,766.00
02/01/2017						4,881.60
08/01/2017						5,000.00
02/01/2018						
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**BOND ACCRETED VALUE TABLE**

Dixon Unified School District  
Election of 2002, Series 2005

Date	CABs 08/01/2018 5%	CABs 08/01/2019 5.1%	CABs 08/01/2020 5.2%	CABs 08/01/2021 5.3%	CABs 08/01/2022 5.4%	CABs 08/01/2023 5.5%
04/05/2005	2,589.60	2,430.65	2,277.00	2,128.90	1,986.60	1,850.25
08/01/2005	2,631.15	2,470.40	2,314.95	2,165.10	2,021.00	1,882.85
02/01/2006	2,696.95	2,533.40	2,375.15	2,222.50	2,075.60	1,934.65
08/01/2006	2,764.35	2,598.00	2,436.90	2,281.35	2,131.60	1,987.85
02/01/2007	2,833.45	2,664.25	2,500.25	2,341.85	2,189.20	2,042.50
08/01/2007	2,904.30	2,732.20	2,565.30	2,403.90	2,248.30	2,098.70
02/01/2008	2,976.90	2,801.85	2,632.00	2,467.60	2,309.00	2,156.40
08/01/2008	3,051.35	2,873.30	2,700.40	2,533.00	2,371.35	2,215.70
02/01/2009	3,127.60	2,946.55	2,770.60	2,600.10	2,435.35	2,276.65
08/01/2009	3,205.80	3,021.70	2,842.65	2,669.00	2,501.10	2,339.25
02/01/2010	3,285.95	3,098.75	2,916.55	2,739.75	2,568.65	2,403.55
08/01/2010	3,368.10	3,177.80	2,992.40	2,812.35	2,638.00	2,469.65
02/01/2011	3,452.30	3,258.80	3,070.20	2,886.90	2,709.25	2,537.60
08/01/2011	3,538.60	3,341.90	3,150.05	2,963.40	2,782.40	2,607.35
02/01/2012	3,627.10	3,427.15	3,231.95	3,041.90	2,857.50	2,679.05
08/01/2012	3,717.75	3,514.55	3,315.95	3,122.50	2,934.65	2,752.75
02/01/2013	3,810.70	3,604.15	3,402.15	3,205.25	3,013.90	2,828.45
08/01/2013	3,905.95	3,696.05	3,490.65	3,290.20	3,095.25	2,906.25
02/01/2014	4,003.60	3,790.30	3,581.40	3,377.40	3,178.85	2,986.15
08/01/2014	4,103.70	3,886.95	3,674.50	3,466.90	3,264.65	3,068.25
02/01/2015	4,206.30	3,986.10	3,770.05	3,558.80	3,352.80	3,152.65
08/01/2015	4,311.45	4,087.75	3,868.05	3,653.10	3,443.35	3,239.35
02/01/2016	4,419.25	4,191.95	3,968.65	3,749.90	3,536.30	3,328.45
08/01/2016	4,529.75	4,298.85	4,071.80	3,849.25	3,631.80	3,419.95
02/01/2017	4,642.95	4,408.50	4,177.70	3,951.25	3,729.85	3,514.00
08/01/2017	4,759.05	4,520.90	4,286.30	4,056.00	3,830.55	3,610.65
02/01/2018	4,878.00	4,636.20	4,397.75	4,163.45	3,934.00	3,709.95
08/01/2018	5,000.00	4,754.40	4,512.10	4,273.80	4,040.20	3,811.95
02/01/2019		4,875.65	4,629.40	4,387.05	4,149.30	3,916.80
08/01/2019		5,000.00	4,749.75	4,503.30	4,261.35	4,024.50
02/01/2020			4,873.25	4,622.65	4,376.40	4,135.20
08/01/2020			5,000.00	4,745.15	4,494.55	4,248.90
02/01/2021				4,870.90	4,615.90	4,365.75
08/01/2021				5,000.00	4,740.55	4,485.80
02/01/2022					4,868.50	4,609.15
08/01/2022					5,000.00	4,735.90
02/01/2023						4,866.15
08/01/2023						5,000.00
02/01/2024						
08/01/2024						
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08/01/2030						
02/01/2031						
08/01/2031						

**BOND ACCRETED VALUE TABLE**

Dixon Unified School District  
Election of 2002, Series 2005

Date	CABs 08/01/2024 5.55%	CABs 08/01/2025 5.6%	CABs 08/01/2026 5.61%	CABs 08/01/2027 5.61%	CABs 08/01/2028 5.63%	CABs 08/01/2029 5.64%
04/05/2005	1,736.10	1,627.45	1,536.80	1,454.10	1,369.60	1,292.55
08/01/2005	1,767.00	1,656.70	1,564.45	1,480.25	1,394.35	1,315.95
02/01/2006	1,816.05	1,703.05	1,608.35	1,521.80	1,433.60	1,353.05
08/01/2006	1,866.45	1,750.75	1,653.45	1,564.45	1,473.95	1,391.20
02/01/2007	1,918.25	1,799.80	1,699.85	1,608.35	1,515.40	1,430.45
08/01/2007	1,971.45	1,850.15	1,747.50	1,653.45	1,558.10	1,470.80
02/01/2008	2,026.20	1,902.00	1,796.55	1,699.85	1,601.95	1,512.25
08/01/2008	2,082.40	1,955.25	1,846.95	1,747.50	1,647.05	1,554.90
02/01/2009	2,140.20	2,010.00	1,898.75	1,796.55	1,693.40	1,598.75
08/01/2009	2,199.60	2,066.25	1,952.00	1,846.95	1,741.10	1,643.85
02/01/2010	2,260.60	2,124.10	2,006.75	1,898.75	1,790.10	1,690.20
08/01/2010	2,323.35	2,183.60	2,063.05	1,952.00	1,840.50	1,737.85
02/01/2011	2,387.85	2,244.75	2,120.90	2,006.75	1,892.30	1,786.85
08/01/2011	2,454.10	2,307.60	2,180.40	2,063.05	1,945.55	1,837.25
02/01/2012	2,522.20	2,372.20	2,241.55	2,120.90	2,000.35	1,889.05
08/01/2012	2,592.20	2,438.60	2,304.45	2,180.40	2,056.65	1,942.35
02/01/2013	2,664.10	2,506.90	2,369.10	2,241.55	2,114.55	1,997.10
08/01/2013	2,738.05	2,577.10	2,435.55	2,304.45	2,174.05	2,053.45
02/01/2014	2,814.05	2,649.25	2,503.85	2,369.10	2,235.25	2,111.35
08/01/2014	2,892.10	2,723.45	2,574.10	2,435.55	2,298.20	2,170.90
02/01/2015	2,972.40	2,799.70	2,646.30	2,503.85	2,362.85	2,232.10
08/01/2015	3,054.85	2,878.10	2,720.55	2,574.10	2,429.40	2,295.05
02/01/2016	3,139.65	2,958.65	2,796.85	2,646.30	2,497.80	2,359.75
08/01/2016	3,226.75	3,041.50	2,875.30	2,720.55	2,568.10	2,426.30
02/01/2017	3,316.30	3,126.70	2,955.95	2,796.85	2,640.40	2,494.75
08/01/2017	3,408.35	3,214.25	3,038.85	2,875.30	2,714.70	2,565.10
02/01/2018	3,502.90	3,304.25	3,124.10	2,955.95	2,791.15	2,637.45
08/01/2018	3,600.10	3,396.75	3,211.75	3,038.85	2,869.70	2,711.80
02/01/2019	3,700.05	3,491.85	3,301.80	3,124.10	2,950.50	2,788.30
08/01/2019	3,802.70	3,589.65	3,394.45	3,211.75	3,033.55	2,866.90
02/01/2020	3,908.25	3,690.15	3,489.65	3,301.80	3,118.95	2,947.75
08/01/2020	4,016.70	3,793.45	3,587.55	3,394.45	3,206.75	3,030.90
02/01/2021	4,128.15	3,899.70	3,688.15	3,489.65	3,297.00	3,116.35
08/01/2021	4,242.70	4,008.85	3,791.60	3,587.55	3,389.80	3,204.25
02/01/2022	4,360.45	4,121.10	3,898.00	3,688.15	3,485.25	3,294.60
08/01/2022	4,481.45	4,236.50	4,007.30	3,791.60	3,583.35	3,387.50
02/01/2023	4,605.80	4,355.15	4,119.70	3,898.00	3,684.20	3,483.05
08/01/2023	4,733.60	4,477.10	4,235.30	4,007.30	3,787.95	3,581.25
02/01/2024	4,864.95	4,602.45	4,354.10	4,119.70	3,894.55	3,682.25
08/01/2024	5,000.00	4,731.30	4,476.20	4,235.30	4,004.20	3,786.10
02/01/2025		4,863.80	4,601.75	4,354.10	4,116.90	3,892.85
08/01/2025		5,000.00	4,730.85	4,476.20	4,232.80	4,002.65
02/01/2026			4,863.55	4,601.75	4,351.95	4,115.50
08/01/2026			5,000.00	4,730.85	4,474.45	4,231.55
02/01/2027				4,863.55	4,600.45	4,350.90
08/01/2027				5,000.00	4,729.95	4,473.60
02/01/2028					4,863.10	4,599.75
08/01/2028					5,000.00	4,729.45
02/01/2029						4,862.85
08/01/2029						5,000.00
02/01/2030						
08/01/2030						
02/01/2031						
08/01/2031						

**BOND ACCRETED VALUE TABLE**

Dixon Unified School District  
Election of 2002, Series 2005

Date	CABs 08/01/2030 5.65%	CABs 08/01/2031 5.66%	CABs 08/01/2032 5.67%	CABs 08/01/2033 5.68%	CABs 08/01/2034 5.69%	CABs 08/01/2035 5.7%
04/05/2005	1,219.65	1,150.60	1,085.25	1,023.40	964.90	909.55
08/01/2005	1,241.70	1,171.45	1,104.95	1,042.05	982.50	926.20
02/01/2006	1,276.80	1,204.60	1,136.30	1,071.65	1,010.45	952.60
08/01/2006	1,312.85	1,238.70	1,168.50	1,102.05	1,039.20	979.75
02/01/2007	1,349.95	1,273.75	1,201.65	1,133.35	1,068.75	1,007.65
08/01/2007	1,388.10	1,309.80	1,235.70	1,165.55	1,099.20	1,036.40
02/01/2008	1,427.30	1,346.90	1,270.75	1,198.65	1,130.45	1,065.90
08/01/2008	1,467.65	1,385.00	1,306.75	1,232.70	1,162.60	1,096.30
02/01/2009	1,509.10	1,424.20	1,343.80	1,267.70	1,195.70	1,127.55
08/01/2009	1,551.75	1,464.50	1,381.90	1,303.70	1,229.70	1,159.70
02/01/2010	1,595.55	1,505.95	1,421.10	1,340.75	1,264.70	1,192.75
08/01/2010	1,640.65	1,548.55	1,461.35	1,378.80	1,300.70	1,226.70
02/01/2011	1,687.00	1,592.40	1,502.80	1,418.00	1,337.70	1,261.70
08/01/2011	1,734.65	1,637.45	1,545.40	1,458.25	1,375.75	1,297.65
02/01/2012	1,783.65	1,683.80	1,589.20	1,499.65	1,414.90	1,334.65
08/01/2012	1,834.05	1,731.45	1,634.30	1,542.25	1,455.15	1,372.65
02/01/2013	1,885.85	1,780.45	1,680.60	1,586.05	1,496.55	1,411.80
08/01/2013	1,939.15	1,830.85	1,728.25	1,631.10	1,539.10	1,452.00
02/01/2014	1,993.90	1,882.65	1,777.25	1,677.40	1,582.90	1,493.40
08/01/2014	2,050.25	1,935.95	1,827.65	1,725.05	1,627.95	1,535.95
02/01/2015	2,108.15	1,990.70	1,879.45	1,774.05	1,674.25	1,579.75
08/01/2015	2,167.70	2,047.05	1,932.75	1,824.45	1,721.90	1,624.75
02/01/2016	2,228.95	2,105.00	1,987.55	1,876.25	1,770.85	1,671.10
08/01/2016	2,291.95	2,164.55	2,043.85	1,929.55	1,821.25	1,718.70
02/01/2017	2,356.70	2,225.80	2,101.80	1,984.35	1,873.05	1,767.70
08/01/2017	2,423.25	2,288.80	2,161.40	2,040.70	1,926.35	1,818.05
02/01/2018	2,491.70	2,353.60	2,222.70	2,098.65	1,981.15	1,869.90
08/01/2018	2,562.10	2,420.20	2,285.70	2,158.25	2,037.50	1,923.15
02/01/2019	2,634.50	2,488.70	2,350.50	2,219.55	2,095.50	1,978.00
08/01/2019	2,708.90	2,559.10	2,417.15	2,282.60	2,155.10	2,034.35
02/01/2020	2,785.45	2,631.55	2,485.65	2,347.40	2,216.40	2,092.35
08/01/2020	2,864.10	2,706.00	2,556.15	2,414.10	2,279.50	2,151.95
02/01/2021	2,945.05	2,782.60	2,628.60	2,482.65	2,344.35	2,213.30
08/01/2021	3,028.25	2,861.35	2,703.10	2,553.15	2,411.05	2,276.40
02/01/2022	3,113.80	2,942.30	2,779.75	2,625.65	2,479.65	2,341.25
08/01/2022	3,201.75	3,025.60	2,858.55	2,700.25	2,550.15	2,408.00
02/01/2023	3,292.20	3,111.20	2,939.60	2,776.90	2,622.70	2,476.60
08/01/2023	3,385.20	3,199.25	3,022.95	2,855.80	2,697.35	2,547.20
02/01/2024	3,480.85	3,289.80	3,108.65	2,936.90	2,774.10	2,619.80
08/01/2024	3,579.15	3,382.90	3,196.75	3,020.30	2,853.00	2,694.45
02/01/2025	3,680.30	3,478.65	3,287.40	3,106.05	2,934.15	2,771.25
08/01/2025	3,784.25	3,577.10	3,380.60	3,194.30	3,017.65	2,850.25
02/01/2026	3,891.15	3,678.30	3,476.45	3,285.00	3,103.50	2,931.45
08/01/2026	4,001.10	3,782.40	3,575.00	3,378.30	3,191.80	3,015.00
02/01/2027	4,114.10	3,889.45	3,676.35	3,474.25	3,282.60	3,100.95
08/01/2027	4,230.35	3,999.55	3,780.55	3,572.90	3,376.00	3,189.30
02/01/2028	4,349.85	4,112.70	3,887.75	3,674.40	3,472.05	3,280.20
08/01/2028	4,472.75	4,229.10	3,997.95	3,778.75	3,570.85	3,373.70
02/01/2029	4,599.10	4,348.80	4,111.30	3,886.05	3,672.40	3,469.85
08/01/2029	4,729.00	4,471.85	4,227.85	3,996.40	3,776.90	3,568.75
02/01/2030	4,862.60	4,598.40	4,347.75	4,109.90	3,884.35	3,670.45
08/01/2030	5,000.00	4,728.55	4,471.00	4,226.65	3,994.85	3,775.05
02/01/2031		4,862.35	4,597.75	4,346.65	4,108.50	3,882.65
08/01/2031		5,000.00	4,728.10	4,470.10	4,225.40	3,993.30

**BOND ACCRETED VALUE TABLE**

Dixon Unified School District  
Election of 2002, Series 2005

Date	CABs 08/01/2030 5.65%	CABs 08/01/2031 5.66%	CABs 08/01/2032 5.67%	CABs 08/01/2033 5.68%	CABs 08/01/2034 5.69%	CABs 08/01/2035 5.7%
02/01/2032			4,862.15	4,597.05	4,345.60	4,107.10
08/01/2032			5,000.00	4,727.65	4,469.25	4,224.15
02/01/2033				4,861.90	4,596.40	4,344.55
08/01/2033				5,000.00	4,727.15	4,468.40
02/01/2034					4,861.65	4,595.75
08/01/2034					5,000.00	4,726.70
02/01/2035						4,861.40
08/01/2035						5,000.00
02/01/2036						
08/01/2036						
02/01/2037						
08/01/2037						
02/01/2038						
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08/01/2040						
02/01/2041						
08/01/2041						
02/01/2042						
08/01/2042						
02/01/2043						
08/01/2043						

**BOND ACCRETED VALUE TABLE**

Dixon Unified School District  
Election of 2002, Series 2005

Date	CABs 08/01/2036 5.71%	CABs 08/01/2037 5.72%	CABs 08/01/2038 5.73%	CABs 08/01/2039 5.74%	CABs 08/01/2040 5.75%	CABs 08/01/2041 5.76%
04/05/2005	857.25	807.75	761.00	716.80	675.05	635.60
08/01/2005	872.95	822.60	775.00	730.00	687.50	647.35
02/01/2006	897.85	846.10	797.20	750.95	707.25	665.95
08/01/2006	923.50	870.30	820.05	772.50	727.60	685.15
02/01/2007	949.85	895.20	843.50	794.65	748.50	704.90
08/01/2007	977.00	920.80	867.70	817.50	770.05	725.20
02/01/2008	1,004.85	947.15	892.55	840.95	792.15	746.05
08/01/2008	1,033.55	974.25	918.10	865.10	814.95	767.55
02/01/2009	1,063.05	1,002.10	944.45	889.90	838.35	789.65
08/01/2009	1,093.40	1,030.75	971.50	915.45	862.50	812.40
02/01/2010	1,124.65	1,060.25	999.30	941.70	887.25	835.80
08/01/2010	1,156.75	1,090.55	1,027.95	968.75	912.80	859.90
02/01/2011	1,189.80	1,121.75	1,057.40	996.55	939.05	884.65
08/01/2011	1,223.75	1,153.85	1,087.70	1,025.15	966.00	910.10
02/01/2012	1,258.70	1,186.85	1,118.85	1,054.60	993.80	936.35
08/01/2012	1,294.60	1,220.75	1,150.90	1,084.85	1,022.35	963.30
02/01/2013	1,331.60	1,255.70	1,183.90	1,116.00	1,051.75	991.05
08/01/2013	1,369.60	1,291.60	1,217.80	1,148.00	1,082.00	1,019.60
02/01/2014	1,408.70	1,328.55	1,252.70	1,180.95	1,113.10	1,048.95
08/01/2014	1,448.90	1,366.55	1,288.60	1,214.85	1,145.10	1,079.15
02/01/2015	1,490.30	1,405.60	1,325.50	1,249.70	1,178.05	1,110.25
08/01/2015	1,532.85	1,445.80	1,363.50	1,285.60	1,211.90	1,142.20
02/01/2016	1,576.60	1,487.20	1,402.55	1,322.50	1,246.75	1,175.10
08/01/2016	1,621.60	1,529.70	1,442.75	1,360.45	1,282.60	1,208.95
02/01/2017	1,667.90	1,573.45	1,484.05	1,399.50	1,319.45	1,243.80
08/01/2017	1,715.55	1,618.45	1,526.60	1,439.65	1,357.40	1,279.60
02/01/2018	1,764.50	1,664.75	1,570.35	1,480.95	1,396.45	1,316.45
08/01/2018	1,814.90	1,712.35	1,615.30	1,523.50	1,436.60	1,354.35
02/01/2019	1,866.70	1,761.35	1,661.60	1,567.20	1,477.90	1,393.40
08/01/2019	1,920.00	1,811.70	1,709.20	1,612.20	1,520.35	1,433.50
02/01/2020	1,974.80	1,863.55	1,758.15	1,658.45	1,564.10	1,474.80
08/01/2020	2,031.20	1,916.85	1,808.55	1,706.05	1,609.05	1,517.25
02/01/2021	2,089.20	1,971.65	1,860.35	1,755.00	1,655.30	1,560.95
08/01/2021	2,148.85	2,028.05	1,913.65	1,805.40	1,702.90	1,605.90
02/01/2022	2,210.20	2,086.05	1,968.50	1,857.20	1,751.85	1,652.20
08/01/2022	2,273.30	2,145.70	2,024.90	1,910.50	1,802.25	1,699.75
02/01/2023	2,338.20	2,207.05	2,082.90	1,965.35	1,854.05	1,748.70
08/01/2023	2,404.95	2,270.20	2,142.55	2,021.75	1,907.35	1,799.10
02/01/2024	2,473.60	2,335.10	2,203.95	2,079.75	1,962.20	1,850.90
08/01/2024	2,544.25	2,401.90	2,267.10	2,139.45	2,018.60	1,904.20
02/01/2025	2,616.85	2,470.60	2,332.05	2,200.85	2,076.65	1,959.05
08/01/2025	2,691.60	2,541.25	2,398.85	2,264.00	2,136.35	2,015.45
02/01/2026	2,768.40	2,613.95	2,467.60	2,329.00	2,197.75	2,073.50
08/01/2026	2,847.45	2,688.70	2,538.30	2,395.85	2,260.95	2,133.20
02/01/2027	2,928.75	2,765.60	2,611.00	2,464.60	2,325.95	2,194.65
08/01/2027	3,012.40	2,844.70	2,685.85	2,535.35	2,392.80	2,257.85
02/01/2028	3,098.40	2,926.05	2,762.80	2,608.10	2,461.60	2,322.90
08/01/2028	3,186.85	3,009.75	2,841.95	2,682.95	2,532.40	2,389.80
02/01/2029	3,277.80	3,095.80	2,923.35	2,759.95	2,605.20	2,458.60
08/01/2029	3,371.40	3,184.35	3,007.10	2,839.15	2,680.10	2,529.45
02/01/2030	3,467.65	3,275.45	3,093.25	2,920.65	2,757.15	2,602.30
08/01/2030	3,566.65	3,369.10	3,181.90	3,004.50	2,836.40	2,677.25
02/01/2031	3,668.50	3,465.45	3,273.05	3,090.70	2,917.95	2,754.35
08/01/2031	3,773.25	3,564.60	3,366.80	3,179.40	3,001.85	2,833.65

**BOND ACCRETED VALUE TABLE**

Dixon Unified School District  
Election of 2002, Series 2005

Date	CABs 08/01/2036 5.71%	CABs 08/01/2037 5.72%	CABs 08/01/2038 5.73%	CABs 08/01/2039 5.74%	CABs 08/01/2040 5.75%	CABs 08/01/2041 5.76%
02/01/2032	3,880.95	3,666.55	3,463.30	3,270.65	3,088.15	2,915.25
08/01/2032	3,991.75	3,771.40	3,562.50	3,364.55	3,176.95	2,999.25
02/01/2033	4,105.70	3,879.25	3,664.55	3,461.10	3,268.30	3,085.60
08/01/2033	4,222.95	3,990.20	3,769.55	3,560.45	3,362.25	3,174.45
02/01/2034	4,343.50	4,104.30	3,877.55	3,662.60	3,458.90	3,265.90
08/01/2034	4,467.50	4,221.70	3,988.65	3,767.75	3,558.35	3,359.95
02/01/2035	4,595.05	4,342.45	4,102.95	3,875.85	3,660.65	3,456.70
08/01/2035	4,726.25	4,466.65	4,220.50	3,987.10	3,765.90	3,556.30
02/01/2036	4,861.20	4,594.40	4,341.40	4,101.55	3,874.15	3,658.70
08/01/2036	5,000.00	4,725.80	4,465.80	4,219.25	3,985.55	3,764.05
02/01/2037		4,860.95	4,593.70	4,340.35	4,100.15	3,872.45
08/01/2037		5,000.00	4,725.35	4,464.90	4,218.00	3,984.00
02/01/2038			4,860.70	4,593.05	4,339.30	4,098.75
08/01/2038			5,000.00	4,724.85	4,464.05	4,216.80
02/01/2039				4,860.50	4,592.40	4,338.25
08/01/2039				5,000.00	4,724.40	4,463.15
02/01/2040					4,860.25	4,591.70
08/01/2040					5,000.00	4,723.95
02/01/2041						4,860.00
08/01/2041						5,000.00
02/01/2042						
08/01/2042						
02/01/2043						
08/01/2043						

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**BOND ACCRETED VALUE TABLE**

Dixon Unified School District  
Election of 2002, Series 2005

Date	CABs	CABs
	08/01/2042	08/01/2043
	5.77%	5.78%
04/05/2005	598.35	563.15
08/01/2005	609.40	573.60
02/01/2006	627.00	590.15
08/01/2006	645.05	607.20
02/01/2007	663.70	624.75
08/01/2007	682.85	642.80
02/01/2008	702.55	661.40
08/01/2008	722.80	680.50
02/01/2009	743.65	700.15
08/01/2009	765.10	720.40
02/01/2010	787.20	741.25
08/01/2010	809.90	762.65
02/01/2011	833.25	784.70
08/01/2011	857.30	807.35
02/01/2012	882.05	830.70
08/01/2012	907.45	854.70
02/01/2013	933.65	879.40
08/01/2013	960.60	904.85
02/01/2014	988.30	931.00
08/01/2014	1,016.80	957.90
02/01/2015	1,046.15	985.55
08/01/2015	1,076.35	1,014.05
02/01/2016	1,107.40	1,043.35
08/01/2016	1,139.35	1,073.50
02/01/2017	1,172.20	1,104.55
08/01/2017	1,206.05	1,136.45
02/01/2018	1,240.80	1,169.30
08/01/2018	1,276.60	1,203.10
02/01/2019	1,313.45	1,237.85
08/01/2019	1,351.35	1,273.65
02/01/2020	1,390.35	1,310.45
08/01/2020	1,430.45	1,348.35
02/01/2021	1,471.70	1,387.30
08/01/2021	1,514.20	1,427.40
02/01/2022	1,557.85	1,468.65
08/01/2022	1,602.80	1,511.10
02/01/2023	1,649.05	1,554.75
08/01/2023	1,696.60	1,599.70
02/01/2024	1,745.55	1,645.90
08/01/2024	1,795.95	1,693.50
02/01/2025	1,847.75	1,742.45
08/01/2025	1,901.05	1,792.80
02/01/2026	1,955.90	1,844.60
08/01/2026	2,012.35	1,897.90
02/01/2027	2,070.40	1,952.75
08/01/2027	2,130.10	2,009.20
02/01/2028	2,191.55	2,067.25
08/01/2028	2,254.80	2,127.00
02/01/2029	2,319.85	2,188.50
08/01/2029	2,386.80	2,251.75
02/01/2030	2,455.65	2,316.80
08/01/2030	2,526.50	2,383.75
02/01/2031	2,599.35	2,452.65
08/01/2031	2,674.35	2,523.55

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BOND ACCRETED VALUE TABLE

Dixon Unified School District  
Election of 2002, Series 2005

Date	CABs	CABs
	08/01/2042 5.77%	08/01/2043 5.78%
02/01/2032	2,751.50	2,596.45
08/01/2032	2,830.90	2,671.50
02/01/2033	2,912.55	2,748.70
08/01/2033	2,996.60	2,828.15
02/01/2034	3,083.05	2,909.90
08/01/2034	3,172.00	2,994.00
02/01/2035	3,263.50	3,080.50
08/01/2035	3,357.65	3,169.55
02/01/2036	3,454.55	3,261.15
08/01/2036	3,554.20	3,355.40
02/01/2037	3,656.75	3,452.35
08/01/2037	3,762.25	3,552.15
02/01/2038	3,870.80	3,654.80
08/01/2038	3,982.45	3,760.40
02/01/2039	4,097.35	3,869.10
08/01/2039	4,215.55	3,980.90
02/01/2040	4,337.20	4,095.95
08/01/2040	4,462.30	4,214.35
02/01/2041	4,591.05	4,336.10
08/01/2041	4,723.50	4,461.45
02/01/2042	4,859.75	4,590.35
08/01/2042	5,000.00	4,723.05
02/01/2043		4,859.55
08/01/2043		5,000.00

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**APPENDIX F**  
**SPECIMEN OF MUNICIPAL BOND INSURANCE**

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**FINANCIAL SECURITY ASSURANCE INC.**  
**SPECIMEN OF MUNICIPAL BOND INSURANCE**

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**FINANCIAL  
SECURITY  
ASSURANCE®**

## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment on the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise), to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By \_\_\_\_\_

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

**FINANCIAL GUARANTY INSURANCE COMPANY**  
**SPECIMEN OF MUNICIPAL BOND INSURANCE**

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**Financial Guaranty Insurance Company**  
 Doing business in California as *FGIC Insurance Company*  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

## Municipal Bond New Issue Insurance Policy

<b>Issuer:</b>	<b>Policy Number:</b>
	<b>Control Number:</b> 0010001
<b>Bonds:</b>	<b>Premium:</b>

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all



**Financial Guaranty Insurance Company**  
*Doing business in California as FGIC Insurance Company*  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

## **Municipal Bond New Issue Insurance Policy**

principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

**President**

**Effective Date:**

**Authorized Representative**

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

**Authorized Officer**



**Financial Guaranty Insurance Company**  
 Doing business in California as *FGIC Insurance Company*  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

**Endorsement**  
**To Financial Guaranty Insurance Company**  
**Insurance Policy**

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**Policy Number:** \_\_\_\_\_ **Control Number:** 0010001

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SPECIMEN

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

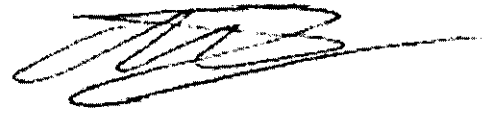


**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**



**Authorized Officer**  
**U.S. Bank Trust National Association, as Fiscal Agent**



**Financial Guaranty Insurance Company**  
 Doing business in California as *FGIC Insurance Company*  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

**Mandatory California State  
 Amendatory Endorsement  
 To Financial Guaranty Insurance Company  
 Insurance Policy**

**Policy Number:**

**Control Number:** 0010001

The insurance provided by this Policy is not covered by the California Insurance Guaranty Association (California Insurance Code, Article 14.2)

**SPECIMEN**

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

**Authorized Officer  
 U.S. Bank Trust National Association, as Fiscal Agent**



**Financial Guaranty Insurance Company**  
*Doing business in California as FGIC Insurance Company*  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

**Mandatory California State  
 Amendatory Endorsement  
 To Financial Guaranty Insurance Company  
 Insurance Policy**

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**Policy Number:** \_\_\_\_\_ **Control Number:** 0010001

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SPECIMEN

Notwithstanding the terms and conditions in this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

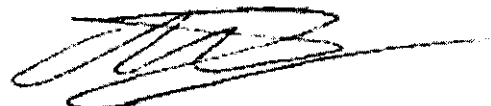


**President**

**Effective Date:** \_\_\_\_\_

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**



**Authorized Officer**  
**U.S. Bank Trust National Association, as Fiscal Agent**



**Financial Guaranty Insurance Company**  
*Doing business in California as FGIC Insurance Company*  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

**Endorsement**  
**To Financial Guaranty Insurance Company**  
**Insurance Policy**

**Policy Number:**

**Control Number:** 0010001

It is further understood that the term "Nonpayment" in respect of a Bond maturing on \_\_\_\_\_, the amount insured under this Policy is that portion of the accreted value (as set forth in the bond documents under which the Bonds are issued) of said Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

**SPECIMEN**

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

**Authorized Officer**

**U.S. Bank Trust National Association, as Fiscal Agent**



