NEW ISSUE — BOOK-ENTRY ONLY

RATINGS:
Standard & Poor's: AAA (Insured)
Moody's: Aaa (Insured)
See "MISCELLANEOUS — Ratings" and "BOND INSURANCE" herein.

In the opinion of Quint & Thimmig LLP, San Francisco, California, ("Bond Counsel"), under existing law, subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, under section 55 of the Code, is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the District to comply with one or more of such covenants could cause interest on the Bonds to not be excludable from gross income under section 103 of the Code for federal income tax purposes retroactively to the date of issuance of the Bonds. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See "LEGAL MATTERS—Tax Matters" herein.

$15,999,993.20
CALEXICO UNIFIED SCHOOL DISTRICT
(Imperial County, California)
General Obligation Capital Appreciation Bonds
Election of 2004, Series B

Calexico Unified School District

Dated: Date of Delivery

Due: August 1, as shown below

The Calexico Unified School District General Obligation Capital Appreciation Bonds, Election of 2004, Series B (the "Bonds") in the aggregate principal amount of $16,000,000*, are issued by the Board of Supervisors of Imperial County (the "County") on behalf of the Calexico Unified School District (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,) for the payment of principal or accreted value of, and premium, if any, on, the Bonds, all as more fully described herein under "THE BONDS — Security and Sources of Payment" and "SCHOOL DISTRICT PROPERTY TAXATION".

The Bonds will be delivered in denominations such that the accreted value of each such Bond on the stated maturity date thereof will be $5,000 or an integral multiple thereof. No payments are due to the owners of the Bonds until the maturity dates of the respective Bonds. The Bonds will be initially issued in book-entry form only, registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Principal, accreted value and premium, if any, on the Bonds will be payable to DTC. DTC is obligated to remit such principal, accreted value and premium, if any, to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as defined herein. See "THE BONDS — Book-Entry System" and " — Discontinuation of Book-Entry System" herein.

The Bonds are <u>not</u> subject to redemption prior to maturity. See "THE BONDS — Redemption" herein.

Payment of principal of and interest on the Bonds will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company, simultaneously with the delivery of the Bonds. See "BOND INSURANCE" herein.

FGIC

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

A. LOPEZ & ASSOCIATES LLC

MATURITY SCHEDULE
(inside cover hereof)

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel, to the District. Certain legal matters are being passed upon for the District by Atkinson, Andelson, Loya, Rudd & Romo, Cerritos, California; by Quint & Thimmig LLP, San Francisco, California as Disclosure Counsel; and for the County of Imperial by the office of County Counsel. It is anticipated that the Bonds in definitive form will be available for delivery through the facilities of Depository Trust Company, on or about December 13, 2005, in New York, New York.

THE 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.

KINSELL, NEWCOMB & DE DIOS, INC.
INVESTMENT BANKING

The date of this Official Statement is November 29, 2005.

MATURITY SCHEDULE

Base CUSIP[1]: 129577

Maturity (August 1)	Denominational Amount	Final Accreted Value	Approximate Yield	Price	CUSIP[1]
2007	$ 74,557.75	$ 85,000.00	3.600%	94.338%	FQ0
2008	105,236.30	130,000.00	3.650%	90.914%	FR8
2009	127,005.30	170,000.00	3.750%	87.372%	FS6
2010	148,238.20	215,000.00	3.900%	83.613%	FT4
2011	171,803.70	270,000.00	4.000%	80.002%	FU1
2012	190,853.00	325,000.00	4.100%	76.397%	FV9
2013	211,364.40	390,000.00	4.200%	72.812%	FW7
2014	230,078.20	460,000.00	4.300%	69.260%	FX5
2015	249,264.00	540,000.00	4.400%	65.752%	FY3
2016	389,375.00	625,000.00	4.500%	62.300%	FZ0
2017	427,133.75	725,000.00	4.600%	58.915%	GA4
2018	461,513.20	830,000.00	4.700%	55.604%	GB2
2019	500,916.00	950,000.00	4.750%	52.728%	GC0
2020	536,984.00	1,075,000.00	4.800%	49.952%	GD8
2021	576,755.00	1,220,000.00	4.850%	47.275%	GE6
2022	612,617.50	1,375,000.00	4.920%	44.554%	GF3
2023	656,688.50	1,550,000.00	4.930%	42.367%	GG1
2024	696,324.90	1,735,000.00	4.960%	40.134%	GH9
2025	739,022.20	1,945,000.00	4.990%	37.996%	GJ5
2026	781,934.25	2,175,000.00	5.020%	35.951%	GK2
2027	822,703.20	2,420,000.00	5.050%	33.996%	GL0
2028	864,243.20	2,690,000.00	5.080%	32.128%	GM8
2029	908,862.70	2,995,000.00	5.110%	30.346%	GN6
2030	952,446.25	3,325,000.00	5.140%	28.645%	GP1
2031	995,871.25	3,685,000.00	5.170%	27.025%	GQ9
2032	1,037,076.70	4,070,000.00	5.200%	25.481%	GR7
2033	1,081,695.55	4,505,000.00	5.230%	24.011%	GS5
2034	1,449,429.20	6,410,000.00	5.260%	22.612%	GT3

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 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 purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts, or matters of opinion, whether expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes, and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each such document, statute, and constitutional provision.

The information set forth herein, other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed by the District as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expression 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 following sentence has been provided by Financial Guaranty Insurance Company for inclusion in this Official Statement:

Other than with respect to information concerning Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company, ("Financial Guaranty") contained under the caption "BOND INSURANCE" and "APPENDIX E — SPECIMEN MUNICIPAL BOND INSURANCE POLICY" herein, none of the information in this Official Statement has been supplied or verified by Financial Guaranty and Financial Guaranty makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

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

THE 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.

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CALEXICO UNIFIED SCHOOL DISTRICT

Board of Education

Salvador Pacheco, Jr.
President

Rita Huerta
Vice President

Enrique G. Alvarado
Clerk

Eduardo Rivera
Member

Gloria J. Rodriguez
Member

Administration

David Alvarez
Superintendent

PROFESSIONAL SERVICES

Financial Advisor

A. Lopez & Associates LLC
Oakland, California

Bond Counsel and Disclosure Counsel

Quint & Thimmig LLP
San Francisco, California

District Counsel

Atkinson, Andelson, Loya, Rudd & Romo
Cerritos, California

Paying Agent

The Bank of New York Trust Company, N.A.
Los Angeles, California

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(Imperial County, California)
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INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of 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 $15,999,993.20 Calexico Unified School District General Obligation Capital Appreciation Bonds, Election of 2004, Series B (the "Bonds"), as described more fully herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "MISCELLANEOUS — Continuing Disclosure" and "APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

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, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for the complete provisions thereof. Copies of District or Bond documents referred to herein and information concerning the Bonds are available from the District through the Superintendent, Calexico Unified School District, 901 Andrade Avenue, Calexico, CA 92231, Telephone: (760) 768-3888, ext. 3008. The District may impose a charge for copying, mailing and handling.

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

The District

The Calexico Unified School District (the "District") covers an area of approximately 77 square miles, encompassing all of the City of Calexico, California (the "City") as well as unincorporated areas of the County of Imperial (the "County"). The City and the unincorporated areas are situated near the United States/Mexico border, adjacent to Mexicali, B.C., Mexico. The District is approximately 11 miles south of Interstate 8 and approximately 15 miles due south of the City of El Centro, California.

The District maintains six elementary (grades K-6) schools, two junior high (grades 7-9) schools, one comprehensive high school (grades 10-12) and one continuing/adult education facility. The District's average daily attendance ("ADA") for fiscal year 2005/06 is projected to be 9,120 and its 2005/06 general fund expenditures are projected to be approximately $67.2 million. Taxable property in the District has a 2005/06 assessed valuation of approximately $1.3 billion. See "THE DISTRICT" and "SCHOOL DISTRICT PROPERTY TAXATION" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the California 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.

Sources of Payment for the Bonds

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), for the payment of the principal, accreted value of, and premium, if any, on the Bonds. See "THE BONDS — Security and Sources of Payment," and "SCHOOL DISTRICT PROPERTY TAXATION" herein.

Bond Insurance

Payment of principal of and interest on the Bonds will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company, simultaneously with the delivery of the Bonds. See "BOND INSURANCE" herein.

Purpose of the Bonds

Bond proceeds will be used to finance specific construction and modernization projects approved by the voters. See "THE BONDS — Purpose of the Bonds" herein.

Description of the Bonds

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or maturity value, as applicable, or any integral multiple thereof. See "THE BONDS — Description of the Bonds" herein.

Form and Registration. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the inside cover page hereof, under the book-entry-only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS — Book-Entry-Only System." In event that the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See "THE BONDS — Registration, Transfer and Exchange."

Payments. Each Bond accretes in value from its initial principal amount on the date of delivery to its maturity value on the maturity thereof at the approximate yields per annum set forth on the cover page hereof, compounded semiannually on each February 1 and August 1, commencing February 1, 2006, and is payable only at maturity (See "APPENDIX D — Accreted Value Tables" herein.)

Redemption. The Bonds, are <u>not</u> subject to redemption prior to maturity. See "THE BONDS – Optional Redemption" herein.

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, under existing law, subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, under section 55 of the Code, is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the District to comply with one or more of such covenants could cause interest on the Bonds to not be excludable from gross income under section 103 of the Code for federal income tax purposes retroactively to the date of issuance of the Bonds. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See "LEGAL MATTERS—Tax Matters" herein.

Offering and Delivery of the Bonds

The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of their legality by Quint & Thimmig LLP, San Francisco, 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 December 13, 2005.

Professionals Involved in the Offering

A. Lopez & Associates LLC, Oakland, California, is acting as Financial Advisor to the District with respect to the Bonds, (the "Financial Advisor"). Quint & Thimmig LLP, San Francisco, California is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. The Bank of New York Trust Company, N.A., Los Angeles, California, will act as the District's paying agent, registrar and transfer agent (the "Paying Agent") with respect to the Bonds. A. Lopez & Associates LLC and Quint & Thimmig LLP will receive compensation from the District contingent upon the sale and delivery of the Bonds.

END OF INTRODUCTION

THE BONDS

Authority for Issuance

The Bonds are issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and other applicable law, and pursuant to resolutions adopted by the Board of Education of the District on August 10, 2005 and by the Board of Supervisors of the County on September 13, 2005 (collectively, the "Resolution").

The District received authorization at an election held on March 2, 2004, by an affirmative vote of more than 55% of the votes cast by eligible voters within the District (the "Authorization") to issue not to exceed $30,000,000 of general obligation bonds (the "Bonds"). The District has previously issued $13,999,956.05 aggregate principal amount of General Obligation Bonds, Election of 2004, Series A (the "Series A Bonds"), dated June 1, 2004, with respect to the current interest Series A Bonds and June 8, 2004, with respect to the capital appreciation Series A Bonds, under the Authorization. The Bonds represent the second and final series of Bonds within the Authorization.

Purpose of the Bonds

Under the Authorization, Bond proceeds will be used to finance the acquisition and construction of school facilities and equipment for the District. The District intends to use the proceeds of the Series B Bonds for the following: repair roofing, plumbing and electrical systems; improve school safety and security; upgrade classroom technology; build and expand science laboratories and libraries; and build new schools and classrooms.

Description of the Bonds

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. Purchasers will not receive certificates representing their interests in the Bonds.

The Bonds are dated the date of delivery of the Bonds. The Bonds are issuable in the denomination of $5,000 maturity value or any integral multiple thereof. The Bonds are payable only at maturity, according to the amounts set forth in the accreted value tables (See "APPENDIX D — Accreted Value Tables" herein.)

The Bonds shall not bear current interest; each Bond shall accrete in value daily over the term to its maturity (on the basis of a 360-day year consisting of twelve 30-day months), from its initial principal (denominational) amount on the date of issuance thereof to its stated maturity value thereof, on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between Interest Payment Dates). Interest on the Bonds, shall be compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2006, and shall be payable upon the maturity thereof. The Bonds shall mature on the dates and in the principal amounts set forth on the cover page hereof.

See the maturity schedule on the cover page hereof and "Semiannual Debt Payments" in this section.

Security and Sources of Payment

The Board of Supervisors of the County is empowered and obligated to annually levy ad valorem taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of the Bonds. Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal, accreted value, and premiums, if any, on the Bonds when due. Such taxes, when collected, will be deposited into the Calexico Unified School District General Obligation Bond Interest and Sinking Fund, defined herein, which is maintained by the County and which is required by the Act to be applied for the payment of principal, accreted value, and premiums, if any, on the Bonds when due. After the sale of the Bonds, the District will have approximately $29,970,000 of outstanding bonds payable from ad valorem taxes.

Although the County is obligated to levy an ad valorem tax for the payment of the Bonds and to make timely payment of principal, accreted value, and premiums, if any, on the Bonds when due, and will maintain the Interest and Sinking Fund, the Bonds are not a debt of the County.

The moneys in the Interest and Sinking Fund, to the extent necessary to pay the principal, accreted value, and premiums, if any, on the Bonds as the same becomes due and payable, shall be remitted by The Bank of New York Trust Company, N.A., as Paying Agent, to DTC for remittance of such principal, accreted value, and premiums, if any, to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds.

The annual tax rate will be based on the assessed value of taxable property in the District and scheduled annual debt service on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS — Limitations of Revenues").

For further information regarding the District's tax base, tax rates, debt and other matters concerning taxation. See "THE DISTRICT" and "SCHOOL DISTRICT PROPERTY TAXATION" herein.

Application of Proceeds

Building Fund. The proceeds from the sale of the Bonds, to the extent of the denominational amount thereof, shall be deposited to the credit of the Calexico Unified School District General Obligation Bonds, 2004 Election, Series B, Building Fund (the "Building Fund") and shall be kept separate and distinct from all other County funds. The proceeds shall be applied only for the authorized purposes pursuant to the Authorization. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Interest and Sinking Fund (as defined) and applied to the payment of principal, accreted value, and premiums, if any, on the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

Interest and Sinking Fund. Any bid premium or accrued interest received on the sale of the Bonds shall be deposited in the Calexico Unified School District, General Obligation Bonds, 2004 Election, Series B, Interest and Sinking Fund (the "Interest and Sinking Fund").

The ad valorem property taxes levied by the County for the payment of the Bonds, when collected, will be deposited into the Interest and Sinking Fund, which is maintained by the County. The Bonds shall be paid from the Interest and Sinking Fund. The accrued interest and any premium received by the County from the sale of the Bonds shall be kept separate and apart in the Interest and Sinking Fund and be used only for payment of maturity value or principal of and interest on the Bonds. Interest earnings on the investment of monies held in the Interest and Sinking Fund shall be retained in the Interest and Sinking Fund and used by the County to pay maturity value or principal of and interest on the Bonds when due.

Costs of Issuance Fund. The District shall pay costs of issuance of the Bonds from monies deposited into the Calexico Unified School District, General Obligation Bonds, 2004 Election, Series B, Costs of Issuance Fund ("Costs of Issuance Fund"). The costs of issuance shall include (i) the premium for any policy of municipal bond insurance insuring payment of the Bonds, (ii) the cost of preparation and reproduction of the Resolution; (iii) the fees and disbursements of Bond Counsel, Disclosure Counsel, District Counsel and A. Lopez & Associates LLC, the Financial Advisor; (iv) the cost of the preparation and delivery of the Bonds; (v) the fees, if any, for bond ratings, including all necessary travel expenses; (vi) the cost of printing and distribution of the Official Statement; (vii) the initial fees, if any, of The Bank of New York Trust Company, N.A., as Paying Agent; (viii) the fees and expenses of the County with respect to its participation in the issuance of the Bonds. If, after payment in full of all costs of issuance of the

Bonds, there remain excess funds in the Cost of Issuance Fund, any such excess amounts shall be transferred to the Interest and Sinking Fund.

Investment of Bond Proceeds

The proceeds from the sale of the Bonds, in the amount of the principal or denomination 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. Such proceeds shall be applied solely for purposes authorized by the voters under the Authorization. An amount equal to accrued interest and bid premium, if any, on the sale of the Bonds will be deposited to the Interest and Sinking Fund, to be used only for payment of principal of and interest on outstanding bonds of the District. A portion of the proceeds deposited into the Building Fund will be deposited by the District in a Costs of Issuance Fund held by the Paying Agent and used to pay costs associated with the issuance of the Bonds. Any balance therein after payment of such costs shall be transferred to the Treasurer for deposit in the Building 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, the Interest and Sinking Fund, and the Costs of Issuance Fund shall be invested in any one or more investments generally permitted to school districts under the laws of the State as authorized under Sections 16429.1 and 53601 et seq. of the California Government Code, in shares in a California common law trust established pursuant to California law which invests exclusively in investments permitted by Section 53635 of the California Government Code, in the Local Agency Investment Fund held by the State Treasurer, or in investment agreements with a financial institution or insurance company which has, at the date of execution thereof, one or more outstanding issues of unsecured, uninsured and unguaranteed debt obligations, or a claims paying ability, rated not lower than the second highest rating category (without regard to subcategories) by Standard & Poor's Ratings Services ("Standard & Poor's") and Moody's Investors Service ("Moody's").

Estimated Sources and Uses of Funds

The estimated sources and uses of funds with respect to the Bonds will be applied as follows:

CALEXICO UNIFIED SCHOOL DISTRICT
Estimated Sources and Uses of Funds

Sources of Funds	
Denominational Amount of Bonds	$15,999,993.20
Original Issue Premium on Bonds	440,194.25
Total Sources	$16,440,187.45
Uses	
Deposit to Building Fund	$15,999,993.20
Underwriting Discount	164,401.87
Deposit to Costs of Issuance Fund[1]	275,792.38
Total Uses	$16,440,187.45

[1] Includes cost of bond insurance, the estimated fees for rating agencies, Bond Counsel, Disclosure Counsel, District Counsel, Financial Advisor, printing and distribution of the Official Statement, and miscellaneous costs of issuing the Bonds.

Semiannual Debt Payments

The semiannual debt service obligation for the Bonds and previously issued and outstanding general obligation bonds of the District, assuming no optional redemptions, is as follows:

Calexico Unified School District
Semiannual Debt Service Estimates

	2004 Authorization				
	Series A	Series B			
Payment Date	Total	Denominational Amount	Accreted Interest	Total Debt Service	Combined Total
February 1, 2006	$ 261,225.00	$—	$—	$—	$ 261,225.00
August 1, 2006	421,225.00	—	—	—	421,225.00
February 1, 2007	259,425.00	—	—	—	259,425.00
August 1, 2007	454,425.00	74,557.75	10,442.25	85,000.00	539,425.00
February 1, 2008	256,987.50	—	—	—	256,987.50
August 1, 2008	476,987.50	105,236.30	24,763.70	130,000.00	606,987.50
February 1, 2009	253,687.50	—	—	—	253,687.50
August 1, 2009	508,687.50	127,005.30	42,994.70	170,000.00	678,687.50
February 1, 2010	251,578.13	—	—	—	251,578.13
August 1, 2010	536,578.13	148,238.20	66,761.80	215,000.00	751,578.13
February 1, 2011	249,040.63	—	—	—	249,040.63
August 1, 2011	564,040.63	171,803.70	98,196.30	270,000.00	834,040.63
February 1, 2012	246,134.38	—	—	—	246,134.38
August 1, 2012	601,134.38	190,853.00	134,147.00	325,000.00	926,134.38
February 1, 2013	242,634.38	—	—	—	242,634.38
August 1, 2013	632,634.38	211,364.40	178,635.60	390,000.00	1,022,634.38
February 1, 2014	238,612.50	—	—	—	238,612.50
August 1, 2014	668,612.50	230,078.20	229,921.80	460,000.00	1,128,612.50
February 1, 2015	233,990.00	—	—	—	233,990.00
August 1, 2015	703,990.00	249,264.00	290,736.00	540,000.00	1,243,990.00
February 1, 2016	228,930.00	—	—	—	228,930.00
August 1, 2016	743,930.00	389,375.00	235,625.00	625,000.00	1,368,930.00
February 1, 2017	223,192.50	—	—	—	223,192.50
August 1, 2017	783,192.50	427,133.75	297,866.25	725,000.00	1,508,192.50
February 1, 2018	216,833.13	—	—	—	216,833.13
August 1, 2018	821,833.13	461,513.20	368,486.80	830,000.00	1,651,833.13
February 1, 2019	209,900.63	—	—	—	209,900.63
August 1, 2019	864,900.63	500,916.00	449,084.00	950,000.00	1,814,900.63
February 1, 2020	202,300.63	—	—	—	202,300.63
August 1, 2020	912,300.63	536,984.00	538,016.00	1,075,000.00	1,987,300.63
February 1, 2021	194,020.63	—	—	—	194,020.63
August 1, 2021	959,020.63	576,755.00	643,245.00	1,220,000.00	2,179,020.63
February 1, 2022	184,880.00	—	—	—	184,880.00
August 1, 2022	1,009,880.00	612,617.50	762,382.50	1,375,000.00	2,384,880.00
February 1, 2023	174,856.25	—	—	—	174,856.25
August 1, 2023	1,059,856.25	656,688.50	893,311.50	1,550,000.00	2,609,856.25
February 1, 2024	163,981.25	—	—	—	163,981.25
August 1, 2024	1,113,981.25	696,324.90	1,038,675.10	1,735,000.00	2,848,981.25
February 1, 2025	152,356.25	—	—	—	152,356.25
August 1, 2025	1,167,356.25	739,022.20	1,205,977.80	1,945,000.00	3,112,356.25
February 1, 2026	139,981.25	—	—	—	139,981.25
August 1, 2026	1,224,981.25	781,934.25	1,393,065.75	2,175,000.00	3,399,981.25
February 1, 2027	126,731.25	—	—	—	126,731.25
August 1, 2027	1,291,731.25	822,703.20	1,597,296.80	2,420,000.00	3,711,731.25
February 1, 2028	112,481.25	—	—	—	112,481.25
August 1, 2028	1,357,481.25	864,243.20	1,825,756.80	2,690,000.00	4,047,481.25
February 1, 2029	96,468.75	—	—	—	96,468.75
August 1, 2029	1,421,468.75	908,862.70	2,086,137.30	2,995,000.00	4,416,468.75
February 1, 2030	79,537.50	—	—	—	79,537.50
August 1, 2030	1,489,537.50	952,446.25	2,372,553.75	3,325,000.00	4,814,537.50
February 1, 2031	61,425.00	—	—	—	61,425.00
August 1, 2031	1,561,425.00	995,871.25	2,689,128.75	3,685,000.00	5,246,425.00
February 1, 2032	42,262.50	—	—	—	42,262.50
August 1, 2032	1,642,262.50	1,037,076.70	3,032,923.30	4,070,000.00	5,712,262.50
February 1, 2033	21,787.50	—	—	—	21,787.50
August 1, 2033	1,721,787.50	1,081,695.55	3,423,304.45	4,505,000.00	6,226,787.50
February 1, 2034	—	—	—	—	—
August 1, 2034	—	1,449,429.20	4,960,570.80	6,410,000.00	6,410,000.00
TOTAL	$31,840,482.58	$15,999,993.20	$30,890,006.80	$46,890,000.00	$78,730,482.58

Redemption

The Bonds are not subject to redemption prior to their fixed maturity dates.

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, certain specified defeasance obligations, in an amount which will, in the opinion of an independent certified public accountant, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District together with interest to accrue thereon, be fully sufficient, to pay and discharge all Bonds outstanding and designated for defeasance (including all principal or accreted value, interest and redemption premiums, if any) at or before their respective maturity dates.

Paying Agent

The Bank of New York Trust Company, N.A., Los Angeles, California, as Paying Agent, will act as the registrar, transfer agent, and paying agent for the Bonds. As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will make all payments and send any notice of prepayment or other notices to owners only to DTC.

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

Book-Entry System

The information in this section has been provided by DTC, New York, NY, for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants, as defined herein, will distribute to the Beneficial Owners, as defined herein, either (a) payments of principal, accreted value or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. DTC will act as securities depository for the Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or bond trustee, 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 bond trustee, or the issuer, 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 issuer or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

Registration, Transfer and Exchange

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

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

Any bond may be exchanged for Bonds of like series, tenor, maturity and Transfer Amount upon presentation and surrender at the principal office of the Bond Registrar, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Bond Registrar. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Paying Agent together with an assignment executed by the owner or by a person legally empowered to do so in a form satisfactory to the Bond Registrar. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like series, tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

If any Bond shall become mutilated, the County, at the expense of the Owner of such Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bonds of like series, tenor, maturity and Transfer Amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Paying Agent and, if such evidence be satisfactory to the Paying Agent and indemnity for the Bond Registrar, the County and the District satisfactory to the Paying Agent shall be given by the Owner of such Bond, the County, at the expense of the Bond Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like series, tenor and maturity and Transfer Amount in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Paying Agent may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Bond Registrar). The Paying Agent may require payment of a reasonable fee for each new Series B Bond delivered and of the expenses which may be incurred by the County and the Bond Registrar.

If manual signatures on behalf of the County are required in connection with an exchange or transfer, the Paying Agent shall undertake the exchange or transfer of Bonds only after the new Bonds are signed by the authorized officers of the County. In all cases of exchanged or transferred Bonds, the County shall execute and the Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of the Resolution. All fees and costs of transfer shall be paid by the requesting party. All Bonds issued upon any exchange or transfer shall be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be cancelled by the Bond Registrar. The District and the County may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District or the County may have acquired in any manner whatsoever, and those Bonds shall be promptly cancelled by the Bond Registrar. Written reports of the surrender and cancellation of Bonds shall be made to the District and the County by the Paying Agent on or before February 1 and August 1 of each year. The cancelled Bonds shall be delivered to the District or destroyed by the Paying Agent as directed by the District.

Neither the District, the County nor the Paying Agent will be required (a) to exchange or transfer any Bonds during a period beginning with the opening of business on the sixteenth calendar day next preceding either any Interest Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Interest Payment Date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

BOND INSURANCE

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 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 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 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the 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 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 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 Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a 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, the U.S.Virgin Islands, 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 nine months ended September 30, 2005, and the years ended December 31, 2004, and December 31, 2003, Financial Guaranty had written directly or assumed through reinsurance, guaranties of approximately $58.5 billion, $59.5 billion and $42.4 billion par value of securities, respectively (of which approximately 55%, 56% and 79%, respectively, constituted guaranties of municipal bonds), for which it had collected gross premiums of approximately $312.5 million, $323.6 million and $260.3 million, respectively. For the nine months ended September 30, 2005, Financial Guaranty had reinsured, through facultative and excess of loss arrangements, approximately 7.8% of the risks it had written.

As of September 30, 2005, Financial Guaranty had net admitted assets of approximately $3.401 billion, total liabilities of approximately $2.246 billion, and total capital and policyholders' surplus of approximately $1.155 billion, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

The unaudited financial statements of Financial Guaranty as of September 30, 2005, 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.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS

Limitations on Revenues

Article XIIIA of the California Constitution. Article XIIIA of the California Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum ad valorem tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the bond proposition

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975/76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property.

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

County of Orange v. Orange County Assessment Appeals Board No. 3. In a Minute Order issued on November 2, 2004, in County of Orange v. Orange County Assessment Appeals Board No. 3, Case No. 00CC03385, the Orange County Superior Court held that the Orange County assessor violated the 2% annual inflation adjustment provision of Article XIIIA when the assessor tried to "recapture" the taxable value of a single family residential property by increasing its assessed value by approximately 4% in a single year. The assessor had not increased the assessed value of the property during a year in which the market value of the property was determined by the assessor to have declined below its taxable value pursuant to Article XIIIA. In the following year, the assessor established the taxable value of the property by determining that its then-current market value was greater than if the 2% annual inflation adjustment had been applied in the previous year. The assessor enrolled the property at a taxable value that recaptured the foregone 2% inflation adjustment from the previous year, resulting in a one-year increase of approximately 4%. The assessors in most California countries use a similar methodology in raising the taxable values of certain property beyond 2% in a single year. Similar actions have been filed in other counties.

In a ruling issued on December 12, 2002, the Orange County Superior Court held that any Orange County taxpayer whose property's assessed value rose more than 2% since 1979 due to recapturing was part of the certified class action lawsuit filed against the County of Orange in 2000. If upheld on appeal, the class action suit may result in $1 billion in improperly collected taxes being returned to Orange County taxpayers. On January 30, 2003, the Orange County Superior Court held a hearing and ruled on the motion to determine if the Orange County Tax Collector must notify affected taxpayers of their right to file tax refund claims. The Court granted the motion, but immediately put a hold on its implementation pending further review by the appellate courts on this entire case. On April 18, 2003, a final judgment was entered, ruling against the current statewide practice of restoration of a property assessment based on the market value after a prior assessment reduction due to an economic downturn. On June 12, 2003, an appeal was filed. On January 7, 2004, oral arguments on the appeal were conducted before the Court of Appeal of the State of California, Fourth District (the "Fourth District Court of Appeal"). On March 26, 2004, the Fourth District Court of Appeal upheld Orange County's method of assessing taxes. On May 5, 2004, a petition for appeal was filed with the California Supreme Court for review of the decision. On July 21, 2004, the California Supreme Court denied the petition for appeal.

Article XIIIC and Article XIIID of the California Constitution. 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 XIIIC and XIIID to the California Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIIC also provides that no tax may be assessed on property other than ad valorem property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The California Constitution and the laws of the State impose a duty on the county treasurer-tax collector to levy a property tax sufficient to pay debt service on school 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 bonds duly authorized and issued or to otherwise interfere with performance of the duty of the District and the County with respect to such taxes which are pledged as security for payment of the bonds. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees or assessments imposed by the District. The interpretation and application of Proposition 218 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.

Expenditures and Appropriations

Article XIIIB of the California Constitution. In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual "appropriations limit" or "Gann Limit" imposed by Article XIIIB of the California Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIIB also does not limit appropriation of local revenues to pay debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity each has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district's revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts. See "THE DISTRICT - Appropriations Limit" herein for the District's current year and budget year appropriations limit and appropriations subject to the limit.

Future Initiatives. Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 218 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 District revenues or the District's ability to expend revenues.

SCHOOL DISTRICT PROPERTY TAXATION

Ad Valorem Property Taxation

The District uses the services of the County for the assessment and collection of taxes for District purposes. School district property taxes are assessed and collected by the County at the same time and on the same rolls as county, special district and city property taxes.

The valuation of secured property and a statutory tax lien is established as of January 1 and is subsequently equalized in August. The resulting secured property tax is payable in two equal installments due November 1 and February 1, and payments become delinquent on December 10 and April 10, respectively. Most unsecured bills are mailed before July 31. These bills must be paid on or before August 31. If the bill is mailed after July 31, the delinquent date is extended to the end of the month following the bill's issuance. Taxes on unsecured property are levied at the preceding fiscal year's secured tax rate and become delinquent on September 1.

State law exempts from taxation $7,000 of the cash value of an owner-occupied dwelling provided that the owner files for such exemption. This exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

Assessed Valuation

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

Future assessed valuation growth under Article XIIIA (allowed for increases in value due to new construction, certain changes of ownership, and an inflation allowance of not more than 2% per year) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts 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.

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

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Taxpayers seeking a reduction may also appeal assessments. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization ("SBE") with the appropriate county board of equalization or assessment appeals board (the "Appeals Board"). After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the property assessed value. The Appeals Board may rule in the assessor's favor, in the applicant's favor, or the Appeals Board may set their own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion.

Any reduction in the assessment ultimately granted applies to the year for which the application is made and may also affect the values in subsequent years. Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Current year values may also be adjusted as a result of a successful appeal of prior year values. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund of overpayment.

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

Some appeals are based on Section 51 of the Revenue and Taxation Code which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the California Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. During the recession of the 1990's significant reductions took place in some counties due to declining real estate values. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Counties and SBE have generally determined that such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIIIA of the California Constitution. Once the property has regained its base year value, adjusted for inflation, it once again is subject to the maximum annual inflationary factor growth rate allowed under Article XIIIA.

The historical secured and unsecured assessed valuation for the District is listed below:

CALEXICO UNIFIED SCHOOL DISTRICT
Five-Year Summary of Assessed Valuation [(1)]

Fiscal Year	Local Secured	Utility	Unsecured	Total
2001/02	$ 845,839,354	$2,130,696	$47,340,197	$ 895,310,247
2002/03	922,323,562	2,148,403	47,497,011	971,968,976
2003/04	1,040,493,675	2,182,132	49,601,960	1,092,277,767
2004/05	1,137,042,028	2,036,950	50,772,954	1,189,851,932
2005/06	1,267,653,946	2,135,595	56,841,444	1,326,630,985

(1) Net assessed valuation including the valuation of homeowners' exemptions.

Source: California Municipal Statistics, Inc. 2001/02 through 2004/05; Imperial County Auditor-Controller 2005/06.

Unitary Property

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

Until fiscal year 2001-02, SBE assessment of investor-owned gas and electric companies, incumbent local exchange companies, AT&T Corp., and AT&T Communications of California, Inc., will be subject to a court-approved agreement dated May 1, 1992 (the "Settlement Agreement"), among those companies, the SBE and all California counties. The Settlement Agreement arose from litigation against SBE in which the court held that the SBE's valuation approaches had overvalued AT&T's unitary property, and ordered AT&T's statewide assessed value to be reduced from approximately $1.75 billion to approximately $1.1 billion. The Settlement Agreement provides that its valuation method is not intended to be precedent for calculating fair market value of unitary property in years following its expiration.

While the Settlement Agreement has been in effect, the California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed following the expiration of the Settlement Agreement, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — Allocation of State Funding to Districts", herein.

Tax Levies, Collections and Delinquencies

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 to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the Treasurer. Collection efforts against a taxpayer who has sought protection from creditors in United States Bankruptcy Court, or against secured property the value of which has been compromised by environmental contamination or natural disaster, may be fruitless to recover unpaid taxes due with respect to such property.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1st of the fiscal year, and a lien is recorded against the assessees. The taxing authority has four ways of collecting unsecured personal property taxes: (a) filing a civil action against the taxpayer; (b) filing a bond in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer, (c) filing a bond of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the taxpayer; and (d) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer.

The secured historical tax levy and year-end delinquencies for all ad valorem taxes levied within the District's boundaries are shown in the following table:

IMPERIAL COUNTY
Secured Tax Charges and Delinquencies

Fiscal Year	Secured Tax Charge	Amount Delinquent as of June 30	Percent Delinquent June 30
1999/00	$60,197,153	$2,498,924	4.15%
2000/01	67,219,422	2,265,351	3.37
2001/02	72,159,354	3,306,624	4.58
2002/03	74,315,821	3,048,618	4.10
2003/04	79,148,668	3,872,927	4.89

Source: California Municipal Statistics, Inc. 1999/00 through 2002/03; Imperial County Auditor-Controller 2003/04.

Alternative Method of Tax Apportionment - Teeter Plan

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

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

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

The Tax Loss Reserve Fund is used exclusively to cover lost income occurring as a result of tax defaulted property. Monies in this fund are derived from several sources. While amounts collected as costs are distributed to the County's general fund, delinquent penalty collections are distributed to the Tax Loss Reserve Fund.

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

If the Tax Loss Reserve Fund exceeds 1% of the total taxes and assessments levied on the secured roll for that year, the amounts coming in after it reaches 1% are credited to the County's general fund. Upon adoption of a resolution by the Board of Supervisors of the County by September 1 of any fiscal year, the 1% tax losses reserve fund threshold may be reduced to 25% of the total delinquent taxes and assessments for the previous year.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors shall receive a petition for its discontinuance joined in the resolutions adopted by two thirds of the participating revenue district in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter plan effective at the commencement of the subsequent fiscal year.

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

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

So long as the Teeter Plan remains in effect, the District's receipt of revenues with respect to the levy of ad valorem property taxes will be not dependent upon actual collections of the ad valorem property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors could under certain circumstances (as described above) terminate the Teeter Plan in its entirely or terminate the Teeter Plan as to the District if the delinquency rate for all ad valorem property taxes levied within the District in any year exceeds 1%.

Tax Rates

There are 62 tax rate areas in the District. A representative tax rate area, Tax Rate Area 2-000, had a fiscal year 2004/05 assessed valuation of $226,731,255 representing 19.06% of the District's taxable assessed valuation. The table below shows tax rates levied by all taxing entities in Tax Rate Area 2-000 during the five-year period from 2000/01 to 2004/05.

CALEXICO UNIFIED SCHOOL DISTRICT
TYPICAL TOTAL TAX RATES (TRA 2-000)

	2000-01	2001-02	2002-03	2003-04	2004-05
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
State School Loan	.0514	.0137	–	–	–
Calexico Unified School District	–	–	–	–	.0575
Total	1.0514%	1.0137%	1.0000%	1.0000%	1.0575%

Source: California Municipal Statistics, Inc.

Major Taxpayers

The 20 largest taxpayers in the District, as shown on the 2004/05 secured tax roll, and the amounts of assessed valuation for all taxing jurisdictions within the District, are shown below. Assessed valuation for the 20 largest taxpayers amounted to $140,203,764 or approximately 12.33% of the District's total 2004/05 secured tax roll.

CALEXICO UNIFIED SCHOOL DISTRICT
Major Taxpayers 2004/05

	Property Owner	Primary Land Use	2004/05 Assessed Valuation	% of Total (1)
1.	Pacific Rim Distribution Center LLC	Industrial	$ 16,753,283	1.47%
2.	Victoria Plaza LLC	Residential Properties	16,166,035	1.42
3.	Wal-Mart Real Estate Business Trust	Commercial Store	13,933,857	1.23
4.	Calexico Warehouse I and II LLC	Industrial	10,460,520	0.92
5.	Victoria Manor Senior Apartments LP	Apartments	8,179,656	0.72
6.	CW & Associates Ltd.	Shopping Center	7,252,489	0.64
7.	CFA LP	Apartments	6,923,584	0.61
8	VDLF LP	Apartments	6,589,894	0.58
9.	Poiriez Properties Inc.	Industrial	6,548,757	0.58
10.	Arellano Loo	Commercial Store	5,863,036	0.52
11.	El Paseo-Calexico LLC	Shopping Center	4,995,987	0.44
12.	David King Chee	Commercial Store	4,672,339	0.41
13.	AI-Calexico LLC	Agricultural	4,431,466	0.39
14.	BH Properties LLC	Commercial Store	4,282,387	0.38
15.	Calexico International Center LLC	Agricultural	4,139,668	0.36
16.	Western Farms	Agricultural	3,954,291	0.35
17.	Palisades Gas	Industrial	3,838,740	0.34
18.	Calexico Price Center Partners	Commercial Store	3,826,612	0.34
19	Alejandro Rivera Senior Citizens Apts II	Apartments	3,723,269	0.33
20.	Reichert-Lengfeld LP	Agricultural	3,667,894	0.32
	Totals (2)		$140,203,764	12.33%

(1) 2004/05 Total Local Secured Assessed Valuation: $1,137,042,028.
(2) Totals may not add due to rounding.

Source: California Municipal Statistics, Inc.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

State Funding of Education

General. The California Constitution requires that from all State revenues there shall first be set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations. State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. As a result, decreases in State revenues can affect appropriations made by the Legislature to school districts. In periods when State funding for public education is reduced or the State experiences budget problems, the District's financial position may be affected, even in the absence of significant education policy changes. The District cannot predict how State income or State education funding will vary over the entire term to maturity of the Notes.

As is true for all school districts in California, District operating income consists of four components: (1) Revenue Limit Sources (consisting of a mix of State and local property tax revenues), (2) Federal Sources, (3) Other State Sources and (4) Other Local Sources. The Revenue Limit Sources includes both a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% local ad valorem property tax authorized by the California Constitution. In addition, school districts may be eligible for other funding, including State and Federal program funding, as well as revenue derived from local sources besides property taxes. See "Allocation of State Funding to Districts" and "Other Sources of Education Funding" below.

State Budget. According to the California Constitution, the Governor is required to propose a budget to the Legislature no later than January 10 of each year, and a final budget must be adopted by a two-thirds vote of each house of the Legislature no later than June 15. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure. For information about recent developments regarding the State's economy and finances and on recent and current State budgets, see "STATE BUDGET" herein.

Proposition 98. On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act." Proposition 98 changed State funding of public education below the university level, primarily by guaranteeing K-14 schools a minimum share of State general fund revenues. Proposition 98 (as modified by Proposition 111, enacted on June 5, 1990) guarantees K-14 schools the greater of: (a) in general, a fixed percentage of State general fund revenues ("Test 1"), (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost of living (measured as in Article XIII B by reference to State per capita personal income) and enrollment ("Test 2"), or (c) a third test, which replaces Test 1 and Test 2 in any year the percentage growth in per capita State general fund revenues from the prior year plus one half of one percent is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 becomes a "credit" (called the "maintenance factor") to schools and the basis of payments in future years when per capita State general fund revenue growth exceeds per capita personal income growth. Proposition 98 implementing legislation adopted prior to the end of the 1988/89 fiscal year determined the K-14 schools' funding guarantee under Test 1 to be 40.3% of the State general fund tax revenues, based on 1986/87 appropriations. However, this funding guarantee has been adjusted to approximately 35% of 1986/87 appropriations to account for subsequent changes in the allocation of local property taxes, since these changes altered the share of State general fund revenues received by schools. Proposition 98 also contains provisions for the transfer of certain State tax revenues in excess of the Article XIII B limit to K-14 schools in Test 1 years when additional moneys are available.

The Proposition 98 guarantee is funded from two sources: local property taxes and the State general fund. Any amount not funded by local property taxes is funded by the State general fund. Thus, local property tax collections represent an offset to State general fund costs in a Test 2 or Test 3 year.

Proposition 98 permits the Legislature, by a two-thirds vote of both and with the Governor's concurrence, to suspend the K-14 schools' minimum funding guarantee for a one-year period.

Restoration of the Proposition 98 funding level to the level that would have been required in the absence of such a suspension occurs over future fiscal years according to a specified State constitutional formula.

In August 2005 the California Teachers Association ("CTA") along with State Superintendent of Public Instruction, Jack O'Connell, filed a lawsuit against Governor Schwarzenegger and the State Director of Finance, Tom Campbell, for $3.1 billion in additional school funding. In 2003, when Proposition 98 funding was reduced by $2.004 billion in the 2004-05 budget, the plaintiffs argue that an agreement was reached to restore the funding as State revenues increased. The lawsuit points to increased State revenues during the 2004-05 budget year as a source for $1.8 billion in additional funding owed to schools under the agreement. In addition the lawsuit argues that the 2005-06 Proposition 98 funding was based on the lowered 2004-05 funding level, creating an additional funding shortfall of $1.3 billion. The Governor contends that the 2005 Budget Act was approved legally by the Legislature and sufficiently funds schools. The District cannot predict what the final outcome of this lawsuit will be.

Allocation of State Funding to Districts

Under Education Code Section 42238 et seq. each school district is determined to have a target funding level: a revenue limit ("Revenue Limit") per student multiplied by the district's student enrollment measured in units of average daily attendance, or ADA, a measure based upon the actual attendance of students without provision for excused absences. Enrollment can fluctuate due to factors such as district population, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will lower a school district's Revenue Limit (and may result in loss of operating revenues), without necessarily permitting the district to make adjustments in fixed operating costs.

The Revenue Limit is calculated from the district's prior-year funding level, as adjusted for a number of factors such as inflation, special or increased instructional needs and costs, and especially low enrollment. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's Revenue Limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State equalization aid or colloquially as "backfill". To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution.

A school district's property tax revenues is comprised of the district's share of the local 1% property tax, received pursuant to Sections 75 et seq. and Sections 95 et seq. of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. The more local property taxes a district receives, the less State equalization aid it is entitled to; ultimately, a school district whose local property tax revenues exceed its Revenue Limit is entitled to receive no equalization aid, and receives only its special categorical aid and the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the California Constitution. Such districts are known colloquially as "basic aid districts". Districts that receive some equalization aid may be referred to as "revenue limit districts".

The District is not a "basic aid district."

See "THE DISTRICT - Average Daily Attendance and Revenue Limit" for historical and projected ADA and Revenue Limit per ADA of the District.

Other Sources of Education Funding

In addition to the Revenue Limit, school districts in the State may receive other revenue from the State and from federal and local sources including grants and funding for specific programs.

Federal Revenues. The federal government provides funding for several programs, including special education programs, programs under the Educational Consolidation and Improvement Act (Title 1), No Child Left Behind funding, and specialized programs such as Drug Free Schools.

Other State Revenues. In addition school districts receive Other State Revenues. These Other State Revenues are primarily restricted revenues that fund items such as special education programs, instructional materials, and mentor teachers.

Included among Other State Revenues are moneys the school district receives from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes, such as real property acquisition, facility construction, or the financing of research. State Lottery net revenues (gross revenues less prizes and administration expenses) are allocated by computing an amount per ADA or full time equivalent ("FTE"). This figure is derived by dividing the total net revenues figures by the total ADA for grades K-12 and community colleges, and by the total FTE for the University of California system and the California State University and College system. Each entity receives an amount equal to its total ADA or FTE, as applicable, multiplied by the per ADA or FTE figure. See "THE DISTRICT – Lottery Income" for lottery income amounts received by the District.

Other Local Revenues. In addition to property taxes, a school district may receive additional local revenues from items such as the leasing of property owned by the school district, fees collected for providing bus transportation for children, and interest earnings.

District Budget Process and County Review

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Imperial County Superintendent of Schools.

A county superintendent of schools must review and approve or disapprove the budgets for each district under its jurisdiction no later than August 15. The county superintendent of schools is required to examine a district's 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 with the established standards. If a budget is disapproved, it is returned to the district with recommendations for revision. The district is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the county superintendent of schools no later than September 8. Pursuant to State law, the county superintendent of schools 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. After approval of an adopted budget, the district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the county superintendent of schools will monitor each district in its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current and subsequent year financial obligations. If the county superintendent of schools determines that the district cannot meet its current or subsequent year obligations, the county superintendent of schools will notify the district's governing board of the determination and may then 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 governing 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 of schools may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent of schools assumed authority.

A State law adopted in 1991 (known as "AB 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of AB 1200, each school district is required to file interim certifications with the county superintendent of schools (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent of schools reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent.

The District's budget has been certified as positive in the most recent interim report.

Treasury 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. Each county treasurer serves as ex officio treasurer for those school districts under jurisdiction of the county superintendent of schools of the county. Each county treasurer has the authority to implement and oversee the investment of 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 is required to invest funds, including those pooled funds described above, in accordance with California Government Code Section 53601 et seq. In addition, each county is required to establish its own investment policies, which may provide further limitations beyond those required by the Government Code.

See "COUNTY INVESTMENT POLICIES AND PRACTICES" herein, for a discussion of the Treasury Pool, as defined herein, valuation procedures, and investment policies.

Accounting Practices

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

The District retains an independent auditor (the "Auditor") and excerpts of its audited financial report for fiscal year ended June 30, 2004, are attached hereto as "APPENDIX B - EXCERPTS FROM DISTRICT'S 2003/04 AUDITED FINANCIAL STATEMENTS." The District considers its audited financial statements to be public information, and accordingly no consent has been sought or obtained from the Auditor in connection with the inclusion of such statements in this Official Statement. The Auditor has made no representation in connection with inclusion of the audit excerpts herein that there has been no material change in the financial condition of the District since the audit was concluded.

Availability of Documents

Additional public documents will be made available upon request through the District. Such public documents include periodic financial reports such as interim reports, approved budget, audited financial statements, and periodic reports on the Imperial County Treasury Pool.

STATE BUDGET

The District's largest revenue source for repayment of the 2005 Bonds is the State, which is currently experiencing significant budgetary difficulties. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance at www.dof.ca.gov. An impartial analysis of the budget is posted by the Legislative Analyst's Office ("LAO") at www.lao.ca.gov. In addition, various

State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer at www.treasurer.ca.gov.

The State has not entered into any contractual commitment with any party related to this financing to provide State budget information. Although the State sources of information listed are believed to be reliable, the District, the Financial Advisor, and the Underwriter assume no responsibility for the accuracy of the State budget information set forth or referred to herein.

The Budget Process

The State's fiscal year begins on July 1 and ends on June 30 of the following year. The annual budget is proposed by the Governor by January 10 for the next fiscal year. In May the Governor offers a revision to the proposed budget and a final budget act must be adopted by a two-thirds vote of each house of the Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure.

As required by Proposition 58 (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS — Constraints on Revenues and Expenditures" herein), beginning with fiscal year 2004/05, the Legislature may not pass a budget bill in which State general fund expenditures exceed estimated State general fund revenues and fund balances at the time of the passage.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of annual expenditure appropriations is the annual budget act, however, appropriations may be included in other legislation. Bills containing State general fund appropriations must be approved by a two-thirds majority vote in each house of the Legislature and be signed by the Governor, except bills containing appropriations for K-12 schools or community colleges ("K-14 education"), which require a simple majority vote, and continuing appropriations, which are available without regard to the fiscal year and may be provided by statute or the State Constitution. Funds necessary to meet an appropriation are not required to be in the State Treasury at the time an appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent Developments Regarding State Economy and Finances

Following a severe recession in the early 1990s, the State's economy grew strongly between 1994 and 2000, generally outpacing the nation, and as a result, for the five fiscal years from 1995/96 to 1999/00, the State's general fund tax revenues exceeded the estimates made at the time the budgets were enacted. These additional funds were largely directed to school spending, including education spending above Proposition 98 minimums.

Following these years of major increase, State general fund revenues plunged largely due to reduced personal income taxes from stock option and capital gains activity following the stock market crash and national economic recession beginning in 2001. The State ended fiscal year 2001/02 with a $2.1 billion negative fund balance, fiscal year 2003/04 with a $7.5 billion negative fund balance, and fiscal year 2003/04 with a reserve of $1.7 billion, including proceeds from the $10.9 billion Economic Recovery Bonds sold in 2004, as defined below.

Economic Recovery Act. The California Economic Recovery Bond Act (Proposition 57) approved by the voters in March 2004 authorized the issuance of up to $15 billion of economic recovery bonds (the "Economic Recovery Bonds") to finance the negative State general fund reserve balance as of June 30, 2004, and other State general fund obligations. The Economic Recovery Bonds are secured by a pledge of revenues from an increase in the State's share of the sales and use tax of one-quarter cent beginning July 1, 2004. The share of the tax going to local governments will be reduced by the same amount and, in exchange, local governments will receive an increased share of the local property tax (and K-14 districts a reduced share) during the time the one-quarter cent is being used to pay off the bonds. This shift in property taxes between K-14 districts and local governments is commonly known as the "triple flip".

Fiscal Year 2004 Budget and 2005 Proposed Budget

The discussion below is based on estimates and projections of revenues and expenditures for the fiscal year 2004/05 and 2005/06 budgets and future fiscal years and must not be construed as statements of fact. These estimates and projections are based upon various assumptions, which may be affected by numerous factors, including future economic conditions in the State and the nation, and there can be no assurance that the estimates will be achieved.

2004 Budget Act. On July 31, 2004, Governor Schwarzenegger signed into law the 2004 Budget Act for the fiscal year 2004-05 (the "2004 Budget Act"). The revenue projections assumed a continuing rebound in the State economy as reflected in several key indicators. The 2004 Budget Act projected a reserve of $768 million at June 30, 2005, including the impact of $2.0 billion in Economic Recovery Bonds. In summary, the 2004 Budget Act addressed a projected $13.9 billion budget shortfall through $4 billion in expenditure cuts, $4.4 billion in cost avoidance, $1.6 billion in fund shifts, $2.1 billion in loans or borrowing, and $1.8 billion in transfers and other revenue. The 2005 Budget Act (discussed below) projects the 2004-05 revenues to total $79.9 billion, 2004-05 expenditures to total $81.7 billion, and the 2004-05 reserve to be $6.8 billion, attributable mainly to major tax revenue gains, including tax amnesty related payments (discussed below).

For K-12 education, the 2004 Budget Act incorporates a "rebasing" of the Proposition 98 minimum funding guarantee, resulting in a loss of about $2.1 billion in funding than would otherwise have been required for fiscal year 2004-05. Other aspects of the 2004 Budget Act for K-12 education include a 2.41% cost-of-living adjustment ("COLA") to revenue limit apportionments, revenue limit funding for growth in ADA, funding for deferred maintenance, increased funds for instructional materials, reduced revenue limit deficit, and equalization aid to reduce the disparity in revenue limits among school districts in California. The 2005 Budget Act (discussed below) projects total fiscal year 2004-05 Proposition 98 funding for K-12 education to be $42.1 billion, including both State general fund and local property tax revenue, an increase of about $17 per pupil over the 2004 Budget Act.

The settlement of a class action lawsuit on behalf of students in the most poorly funded schools, Williams v. State of California, provided $138 million in one-time funds for instructional materials for the lowest performing schools, and set aside $50 million for 2004-05 implementation of the settlement, primarily for facility improvements to the neediest schools. Future years' budgets will have to address further settlement terms calling for over $800 million in facilities improvements and additional programmatic support.

Tax Amnesty Program. The State created a limited-term tax amnesty program as part of the 2004 Budget Act. This new amnesty program applied to the three major State general fund taxes: the personal income tax, corporate tax, and sales and use tax. Chapter 226, Statutes of 2004, waives penalties for taxpayers who applied for amnesty for tax years before 2003 in the two-month period from February 1, 2005 through March 31, 2005. Tax amnesty payments for prior fiscal years are accounted as prior year adjustments to the current year rather than carried back to earlier years that are now closed. Although the 2004-05 beginning balance increased nearly $4 billion due to tax amnesty payments, collections are expected to be reduced by over $1 billion in both 2004-05 and 2005-06. The year-end reserve for fiscal year 2004-05 includes approximately $900 million set aside for accelerated payment of amnesty related revenues and amounts that may need to be refunded as taxpayers win their disputes.

2005 Budget Act. On July 11, 2005, the Governor signed into law the 2005 Budget Act (the "2005 Budget Act"). The final budget features no tax increases and increased spending, including a $1.3 billion transfer in gas taxes from the State general fund back into transportation special funds, pursuant to Proposition 42, and the accelerated repayment of the $1.2 billion vehicle license fee "gap" loan due to local governments in 2006-07. Expenditures are projected to exceed revenues in 2005-06 due to a reduction in the amount of new or existing budgetary debt, including the elimination of the planned sale of $1.7 billion Economic Recovery Bonds in 2005-06. Total Proposition 98 funding is increased by $3 billion. In August 2005, CTA and the State Superintendent of Public Instruction filed a lawsuit against the Governor and the State Director of Finance for $3.1 billion in additional school funding that they believe was promised to schools under an agreement reached for the 2004 Budget Act. The Governor contends that the 2005 Budget Act was approved legally by the Legislature and sufficiently funds schools. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS".

The 2005 Budget Act projects revenues of $84.5 billion, a $4.6 billion increase in State general fund revenues compared to 2004-05. This increase is related to stronger-than-expected capital gains and other cyclical factors, and a small increase in the net impact of the tax amnesty program, though this increase in revenue is predominantly one-time and not ongoing and will not help the State's structural shortfall (as described below). The 2005 Budget Act authorizes $90 billion in State general fund expenditures, an increase of over 10 percent from 2004-05. The 2005-06 year-end reserve is projected to be $1.3 billion, down $5.5 billion from the 2004-05 year-end reserve.

K-12 Proposition 98 funding in 2005-06 grows by approximately $2.5 billion or 6.1 percent to approximately $44.6 billion, representing an increase of $379 per pupil above 2004-05 funding levels. Following are some of the major provisions for education in the 2005 Budget Act.

- 4.23% COLA to revenue limit apportionments, also applicable to special education, adult education, class-size reduction programs, and other categorical programs.
- $328 million to fund growth for revenue limit and categorical programs.
- $194 million to fully fund enrollment growth.
- Revenue limit deficit reduction of approximately 0.9 percent, equivalent to about a 1.2 percent increase.
- One-time funding ($60 million) for a new cohort of High Priority Schools and for supplemental instruction programs for students at risk of failing the High School Exit Exam ($20 million).
- No funding for declining enrollment or equalization.
- Rejects the Governor's earlier budget proposal to shift State funding of the State Teachers' Retirement System ("STRS") retirement program for teachers to local school districts. The 2005 Budget Act funds the State's statutory obligation to STRS of $469 million.
- The 2005 Budget Act also provides $316 million in one-time settle-up funds associated with prior years' Proposition 98 K-12 funding. These funds will be spent on K-12 initiatives including mandate cost reimbursements deferred from prior years ($61 million), a low-performing school enrichment block grant ($22 million), increasing fruits and vegetables in the school breakfast program ($18 million), and school facility emergency repairs pursuant to the Williams v. State of California lawsuit settlement ($184 million).

State Budget Structural Imbalance

Including the projected savings in the 2005 Budget Act, LAO believes that current-law expenditures will exceed projected revenues by around $6.1 billion in 2006-07. LAO has indicated that the State faces an ongoing structural budget shortfall, combined with the $1.3 billion 2005-06 year-end reserve, the 2006-07 shortfall would be approximately $4.8 billion, absent corrective actions. LAO has raised concerns that the budget relies on savings in areas that are subject to risk, such as a cut of $40 million in state employee paid holidays dependent on contract negotiations with unions, and the assumption that $525 million in pension costs will be funded by pension obligation bond proceeds which are subject to court challenges. LAO states that it will be important to adopt ongoing solutions and that any significant augmentations to ongoing spending should be offset by ongoing spending reductions or increased revenues.

THE DISTRICT

The information in this section concerning the operations of the District and the District's operating finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal, accreted value, and premium, if any, on the Bonds is payable from the General Fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SCHOOL DISTRICT PROPERTY TAXATION" and "THE BONDS — Security and Sources of Payment". Investors' attention is directed to the information in this section concerning District Debt Structure and Statement of Direct and Overlapping Debt which contain information about certain bond obligations payable from ad valorem taxes.

General Information

The District covers an approximate 77 square mile area, encompassing all of the City of Calexico, California (the "City"), as well as unincorporated areas of Imperial County. The City and the unincorporated areas are situated near the United States/Mexico border, adjacent to Mexicali, B.C., Mexico. The District is approximately eleven miles south of Interstate 8 and approximately fifteen miles due south of the City of El Centro, California.

The District maintains six elementary (grades K-6) schools, two junior high (grades 7-9) schools, one comprehensive high school (grades 10-12) and one continuing/adult education facility.

Average Daily Attendance and Revenue Limit

Beginning in 1999/00, the State computes Average Daily Attendance ("ADA") based on actual attendance only. The following table sets forth the average daily attendance based on the Second Period Report of Attendance for the past four years and an estimate for 2005/06:

CALEXICO UNIFIED SCHOOL DISTRICT
Average Daily Attendance

Academic Year	Average Daily Attendance
2001/02	7,961.30
2002/03	8,317.30
2003/04	8,567.30
2004/05	8,833.24
2005/06 projected	9,119.57

Note: Includes grade levels K - 12 and special education.

Source: The District.

The District's annual revenue limit per ADA was $4,990.37 for 2004/05 and is projected to be $5,201.34 for 2005/06. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Funding of Education" herein.

Appropriations Limit

The District had a 2004/05 appropriations limit of $42,315,788.66 and had appropriations subject to the limit of $42,315,788.66. The District projects a 2005/06 appropriations limit of $44,973,652.66 and appropriations subject to the limit of $44,973,652.66. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Limitations on Revenues" herein.

Lottery Income

The District's State Lottery revenue was $1,320,478.19 for 2004/05 and is projected to be $1,288,171.00 for 2005/06. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — Other Sources of Education Funding" herein.

Labor Relations

The District employs 500 Full-Time Equivalent (FTE) certificated and 218 regular FTE classified employees. In addition, the District employs approximately 146 part-time employees. The following table summarizes the labor organizations in the District:

CALEXICO UNIFIED SCHOOL DISTRICT
Labor Organizations

Labor Organization	Number of Employees	Contract Expiration [1]
Associated Calexico Teachers	501	June 30, 2005
California School Employees Association	365	June 30, 2005

[1] Labor negotiations are underway. District will continue to operate based upon existing contracts until settlements are reached.

Source: The District.

Retirement Programs

The District participates in the State Teachers Retirement System ("STRS"). This plan covers all full-time certificated employees. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools. The District's actual contribution to STRS for fiscal year 2004/05 is $2,639,977.53 and in fiscal year 2005/06 is expected to be $3,182,475.00.

The District also participates in the State Public Employees Retirement System ("PERS"). This plan covers all classified personnel who are employed more than four hours per day. In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of covered service in PERS. The District's actual contribution to PERS for fiscal year 2004/05 is $1,287,424.33 and is projected to be $1,306,564.00 for 2005/06.

See the notes to the District's audited financial statements, which are excerpted and contained in "APPENDIX B" for additional information concerning STRS and PERS.

Comparative Financial Statements

The following table summarizes the District's general fund revenue, expenditures and fund balances from fiscal year 2002/03 through 2005/06. A summary of the District's general fund revenue, expenditures and fund balances for fiscal year 2001/02 are presented on the following page due to changes in reporting requirements under Governmental Accounting Standards Board Statement 34 (GASB 34) beginning in 2002/03.

CALEXICO UNIFIED SCHOOL DISTRICT
General Fund
Revenues, Expenditures and Fund Balances
2002/03 through 2005/06

	2002/03 Actual [1]	2003/04 Actual [1]	2004/05 Unaudited Actual [2]	2005/06 Budget [2]
BEGINNING FUND BALANCE	$5,671,937	$4,600,402	$5,223,103	$6,905,154
REVENUES				
State Revenue Limit	$40,795,519	$41,270,201	$44,830,426	$47,945,138
Federal Sources	7,478,928	6,662,522	7,636,174	7,898,091
Other State Sources	10,018,447	9,471,922	11,157,054	8,286,468
Local/Other Sources	2,935,083	3,153,871	2,534,060	2,825,709
TOTAL REVENUES [3]	$61,227,972	$60,558,516	$66,157,714	$66,955,406
EXPENDITURES				
Current				
Instruction	$38,151,793	$36,876,134	$40,134,496	$42,305,835
Instruction Related Services	6,182,546	6,401,728	7,123,482	6,331,805
Pupil Services	3,928,893	3,831,720	4,112,038	4,447,245
Ancillary Services	748,304	431,283	566,512	1,179,897
Enterprise	0	3,279	0	0
General Administration	4,540,876	4,810,436	4,284,968	5,101,020
Plant Services	6,709,393	6,704,400	7,188,411	7,713,857
Other Outgo	768,432	313,835	386,981	316,801
Debt Service				
Principal	61,914	13,000	13,000	15,767
Interest	3,322	0	0	942
TOTAL EXPENDITURES [3]	$61,095,473	$59,385,815	$63,809,888	$67,413,169
OTHER FINANCING SOURCES/(USES)	($1,204,034)	($550,000)	($665,775)	($581,774)
EXCESS/DEFICIENCY OF REVENUE	($1,071,535)	$1,172,701	$2,347,826	($457,763)
ENDING FUND BALANCE [3]	$4,600,402	$5,223,103	$6,905,154	$5,865,617

(1) Excerpted from District's respective Audited Financial Reports.
(2) Excerpted from District's Unaudited Actual and Budget as of October 11, 2005.
(3) Totals may not add due to independent rounding.

The District's general fund revenue, expenditures and fund balances from fiscal year 2001/02 are summarized separately below due to changes in reporting requirements under GASB 34 beginning in 2002/03.

CALEXICO UNIFIED SCHOOL DISTRICT
General Fund
Revenues, Expenditures and Fund Balances
2001/02

	2001/02 Actual [1]
BEGINNING FUND BALANCE	$4,565,026
REVENUES	
State Revenue Limit	$38,503,743
Federal Sources	5,861,886
Other State Sources	10,225,142
Local/Other Sources	3,187,359
TOTAL REVENUES [2]	$57,778,130
EXPENDITURES	
Current	
Certificated Salaries	$28,202,829
Classified Salaries	8,833,036
Employee Benefits	9,362,368
Books and Supplies	4,431,263
Services and Other Operating Expenditures	4,256,226
Capital Outlay	340,639
TOTAL EXPENDITURES [2]	$55,426,361
OTHER FINANCING SOURCES/(USES)	($1,244,858)
EXCESS/DEFICIENCY OF REVENUE	$1,106,911
ENDING FUND BALANCE [2]	$5,671,937

[1] Excerpted from District's Audited Financial Reports as of June 30, 2002
[2] Totals may not add due to independent rounding.

District Debt Structure

Long-Term Obligations. Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended June 30, 2004, are as follows:

CALEXICO UNIFIED SCHOOL DISTRICT
Long-Term Obligations

Long-Term Obligations and Liabilities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General Obligation Bonds	$ –	$13,999,956	$ –	$13,999,956	$ –
Capital Leases	190,884		55,300	135,584	57,583
Certificates of Participation	–	8,460,000	–	8,460,000	610,000
Special Tax Revenue Bonds	7,605,000	–	7,605,000	–	–
Compensated Absences	316,195	30,063	–	346,258	346,258
Zions Bank Lease Agreement	5,424,534	124,769	286,717	5,262,586	244,530
Total	$13,536,613	$22,614,788	$ 7,947,017	$28,204,384	$1,258,371

Source: The District

General Obligation Bonds. On March 2, 2004, the District received authorization to issue $30 million in general obligation bonds (the "Authorization"). The District has issued $ 10,890,000 aggregate principal amount of current interest general obligation bonds dated June 1, 2004, and $ 3,109,956.05 aggregate denominational amount of capital appreciation general obligation bonds dated June 8, 2004, under the Authorization. The Bonds represent the second and final issue under the Authorization.

Bonds issued under the Authorization are payable from an unlimited tax upon all property subject to taxation within the District and the Board of Supervisors is empowered and is obligated to levy such tax for the repayment of such bonds.

Following is a schedule of principal payments remaining as of June 30, 2004, on the District's general obligation bonds:

CALEXICO UNIFIED SCHOOL DISTRICT
General Obligation Bonds

Year Ending June 30	Principal	Interest	Total
2005	$30,000.00	$609,962.50	$639,962.50
2006	160,000.00	522,450.00	682,450.00
2007	195,000.00	518,850.00	713,850.00
2008	220,000.00	513,975.00	733,975.00
2009	218,548.00	543,827.00	762,375.00
2010-2014	1,407,162.60	2,823,837.44	4,231,000.04
2015-2019	1,987,931.65	3,042,760.87	5,030,692.52
2020-2024	2,683,051.05	3,292,026.47	5,975,077.52
2025-2029	3,526,579.75	3,564,457.75	7,091,037.50
2030-2033	3,571,683.00	3,048,342.00	6,620,025.00
Total	$13,999,956.05	$18,480,489.03	$32,480,445.08

Source: The District

Certificates of Participation. On February 26, 2004, the District issued $8,460,000 variable rate demand certificates of participation (2004 Refinancing Project) to (i) refinance the $9,195,000 Community Facilities District No. 1 of Calexico Unified School District 1997 Special Tax Revenue Refunding Bonds, dated December 1,1996; (ii) fund a debt service reserve fund; and (iii) pay the costs of the financing (the "2004 Refunding Certificates").

Interest with respect to the 2004 Refunding Certificates is payable quarterly on each March 1, June 1, September 1, and December 1 beginning June 1, 2004. The interest rate will be reset on Thursday each week (or on the preceding day if Thursday is not a business day) by the remarketing agent to equal the rate that, in the judgment of the remarketing agent, having due regard for prevailing financial market conditions, would equal the interest rate necessary to enable the remarketing agent to sell the 2004 Refunding Certificates on that day at one hundred percent (100%) of the principal amount thereof. Principal on the 2004 Refunding Certificates is payable each September 1, commencing September 1, 2004.

Future commitments for the 2004 Refunding Certificates as of June 30, 2004, are as follows:

CALEXICO UNIFIED SCHOOL DISTRICT
2004 Refunding Certificates

Year Ending June 30	Principal	Interest	Total
2005	$ 610,000	$ 207,105	$817,105
2006	480,000	196,083	676,083
2007	490,000	184,832	674,832
2008	530,000	172,662	702,662
2009	610,000	158,655	768,655
2010-2014	3,200,000	575,825	3,775,825
2015-2019	2,540,000	187,666	2,727,666
Totals	$8,460,000	$1,682,828	$10,142,828

Zions Bank Lease Agreement. In July 2001 the District entered into a variable rate real property lease/purchase agreement with the California School Boards Association Finance Corporation (the "Zions Bank Lease Agreement"). The proceeds of the lease agreement will be applied by the District to finance the costs of acquisition, construction, improvements and installation of real property and equipment for use by the District. The total agreement is not to exceed $6,000,000. The District, as of June 30, 2004, has drawn down a total of $5,573,505.36 of the available $6,000,000.

The Zions Bank Lease Agreement calls for annual lease payments from July 15, 2002, through July 15, 2021. The principal amount due on the Zions Bank Lease Agreement is based on the actual amount drawn down by the District. The amount drawn shall amortized and become payable on each remaining lease payment date in equal pro rata amounts. Interest shall be payable at a rate to be determined as of the first business day of each calendar month equal to 65% of the prime lending rate of the bank.

The amount due under this lease/purchase agreement as of June 30, 2004, was $7,697,929. The repayment of the principal is over a 20-year period based on the amount drawn down against the maximum $6,000,000.

Capital Leases. Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2004, as follows:

CALEXICO UNIFIED SCHOOL DISTRICT
Capital Leases

Year Ending June 30:	
2005	59,991
2006	13,000
2007	13,000
2008	13,000
2009	13,000
2010-2014	26,000
Total Minimum Lease Payments	137,991
Less Amount Representing Interest	(2,407)
Present Value of Net Minimum Lease Payments	$135,584

Joint Ventures (Joint Powers Agreement): The District participates in one joint powers agreement ("JPA") entity, the San Diego County Schools Risk Management ("SDCSRM.") The relationship between the District and the JPA is such that the JPA is not a component unit of the District.

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

Combined condensed unaudited financial information of the District's share of the JPA for the year June 30, 2004 is as follows:

CALEXICO UNIFIED SCHOOL DISTRICT
Joint Ventures

Total Assets	$ 43,358
Total Liabilities	—
Total Fund Balance	$ 43,358
Total Cash Receipts	1,953
Total Cash Disbursements	980
Net Change in Fund Balance	973

Source: The District

Statement of Direct and Overlapping Debt

Contained within the District are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue and special assessment bonds and outstanding certificates of participation. The following represents the total assessed valuation and the direct and overlapping bonded debt of the District as of December 1, 2005, according to California Municipal Statistics, Inc. The District makes no assurance as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc., Oakland, California.

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

CALEXICO UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Debt

2005/06 Assessed Valuation:	$1,326,630,985
Less Redevelopment Incremental Valuation:	480,129,293
Adjusted Assessed Valuation:	$ 846,501,692

	% Applicable	Debt 12/1/05	
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Imperial Community College District	12.317%	$ 3,017,665	
Calexico Unified School District	100.	13,969,956	(1)
Imperial County Community Facilities District No. 98-1	93.747	7,724,753	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$ 24,712,374	
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Imperial County Certificates of Participation	12.107%	$ 1,041,807	
Imperial County Pension Obligations	12.107	7,653,440	
Imperial County Office of Education Certificates of Participation	12.107	303,886	
Imperial Community College District General Fund Obligations	12.317	747,026	
Calexico Unified School District Certificates of Participation	100.	7,370,000	
City of Calexico Certificates of Participation	100.	4,700,000	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 21,816,159	
Less: City of Calexico Certificates of Participation (100% self-supporting)		4,700,000	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 17,116,159	
GROSS COMBINED TOTAL DEBT		$ 46,528,533	(2)
NET COMBINED TOTAL DEBT		$ 41,828,533	

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

Ratios to 2004/05 Assessed Valuation:	
Direct Debt ($13,969,956)	1.05%
Total Direct and Overlapping Tax and Assessment Debt	1.86%
Ratios to Adjusted Assessed Valuation:	
Combined Direct Debt ($21,339,956)	2.52%
Gross Combined Total Debt	5.50%
Net Combined Total Debt	4.94%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: $0

Source: California Municipal Statistics, Inc.

The direct debt of the District after issuance of the Bonds will be approximately $29,970,000 or 2.26% of the approximately $1.3 billion 2005/06 assessed valuation of taxable property within the District. The District's statutory general obligation bonding capacity is 2.5% of the assessed valuation of taxable property within the District, or approximately $33 million for fiscal year 2005/06.

COUNTY INVESTMENT POLICIES AND PRACTICES

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

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

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

The County's investment policy applies to all financial assets of the County of Imperial as accounted for in the comprehensive annual financial report and shall apply to all other funds under the County Treasurer/Tax Collector's span of control unless specifically exempted by resolution.

Outside local agencies, where the County Treasurer/Tax Collector does not serve as the agency's Treasurer/Tax Collector, may invest in the pooled investment fund through California Government Code Section 53684 et seq. ("Pooled Investment Fund"). Deposits are subject to the consent of the County Treasurer/Tax Collector. The local agency legislative body must approve the Imperial County Pooled Investment Fund as an authorized investment and execute a memorandum of understanding.

Investment Policy and Procedure

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for governmental purposes. The specific objectives for the Pooled Investment Fund are listed in order of importance.

The preservation of principal is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they are from securities default or erosion of market value.

The Pooled Investment Fund should remain sufficiently flexible to enable the County Treasurer/Tax Collector to meet all operating requirements that may be reasonably anticipated in any depositor's fund.

In managing the Pooled Investment Fund, the County Treasurer/Tax Collector and the authorized investment traders should try and avoid any transactions that might impair public confidence in the Imperial County and the participating local agencies. Investments should be made with precision and care, considering the probable safety of the capital as well as the probable income to be derived.

The Pooled Investment Fund shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the County's investment risk constraints and the cash flow characteristics of the portfolio.

The Imperial County Board of Supervisors approved establishment of a "County Treasurer Oversight Committee," as required by Government Code section 27130 et seq., designating the County Treasurer/Tax Collector, Auditor/Controller, and up to two representatives from the County schools, should they wish to participate, as members. The number of committee members can be amended to insure the objectives are met. The committee shall meet annually unless circumstances require more frequent meetings.

All securities purchased, with the exception of time deposits, local agency investment fund ("LAIF") and bank short term Investment Funds (bank's overnight investment fund), can be delivered to the independent third-party custodian selected by the County Treasurer/Tax Collector. This includes all collateral for repurchase agreement. All trades, where applicable, will be executed by delivery versus payment by the designated party.

All financial institutions, whether investment banks and dealers, commercial banks, or savings and loans must be approved by the County Treasurer/Tax Collector or authorized staff before they receive County funds. All firms with whom the County does business should have a strong capital base and be deemed credit-worthy before any investments or deposits are placed with such firms.

Collateral is required for investments in certificates of deposit (over $100,000), repurchase agreements and reverse repurchase agreements. In order to reduce market risk, the collateral level will be at least 102% of market value or principal and accrued interest.

The only securities acceptable as collateral shall be direct obligations of, or fully guaranteed as to principal and interest by, the United States or any agency of the United States.

The County Treasurer/Tax Collector will diversify its investments by security type and institution. With the exception of U.S. Treasury, U.S. Agency securities and authorized pools, no more that 50% of the County's total investment portfolio should be invested in a single security type.

Securities can be swapped for other approved securities with similar maturity schedules to gain higher rates of return. When the swap involves a change in liquidity, future cash needs shall be conservatively estimated.

Authorized Investments

Total investable funds for the purposes of the County's investment policy are all Pooled Investment Fund moneys that are available for investment at any one time, including the estimated bank account float. Bond proceeds may be invested in accordance with the Government Code provisions, or they may be invested in alternative vehicle if authorized by Bond documents.

Authorized investment shall match general categories established by the California Government Code section 53635 et seq. Authorized investments shall also include, in accordance with California Government Code section 16429.1, investment into LAIF.

The chart below provides a list of the permitted securities and conditions for using them. Only the County Treasurer/Tax Collector or authorized staff will be authorized to invest in the approved investment.

No investment should be authorized that has the possibility of returning a zero or negative yield if held to maturity. These shall include inverse floaters, range notes, and interest only strips derived from a pool of mortgages.

Future purchases of securities classified as derivative securities must be issued by an agency or entity authorized by the investment policy and must receive prior approval from the County Treasurer/Tax Collector.

IMPERIAL COUNTY
Allowable Investment Instruments Per State Government Code
(as of January 1, 2003)

Investment Type[1]	Maximum Maturity	Maximum Specified % of Portfolio	Minimum Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
California Local Agency Obligations	5 years	None	None
U.S. Agency	5 years	None	None
Bankers' Acceptances	180 days	40 percent[2]	None
Commercial Paper	270 days	25 percent	A-1/P1 rating
Negotiable Certificates of Deposit	5 years	30 percent	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements & Securities Lending Agreements	92 days	20 percent combined of base value	None[3]
Medium-Term Notes	5 years	30 percent	A rating
Mutual Funds	N/A	20 percent[4]	Multiple[5]
Money Market Mutual Funds	N/A	20 percent	Multiple[6]
Collateralized Bank Deposit	5 years	None	None
Mortgage Pass-Through Securities	5 years	20 percent	AA rating[7]
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None

(1) Prior to January 1, 2000, county governments were subject to the same restrictions as all other local governments for purchases of commercial paper. In addition, prior to January 1, 2000, the Government Code did not include language referring specifically to investments in securities lending agreements.

(2) No more than 30 percent of the surplus funds may be in Bankers Acceptances of any one commercial bank.

(3) Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York and the securities used for the agreement must have been held by the issuer for at least 30 days.

(4) No more than 10 percent of the agency's surplus funds may be invested in any one mutual fund.

(5) Must receive the highest ranking by 2 of the 3 largest nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least 5 years experience investing in instruments authorized by the State Government Code Sections 53601 and 53635.

(6) Must receive the highest ranking by 2 of the 3 largest nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), and has not less than 5 years experience managing money market funds with assets under management in excess of $500 million

(7) Issuer must have an A rating or better for the issuer's debt as provided by a nationally recognized rating agency.

Source: Imperial County Treasurer

As of June 30, 2005, the County's investment balances were as follows:

IMPERIAL COUNTY POOLED INVESTMENTS
Portfolio Summary
(as of June 30, 2005)

Investments	Par Value	Market Value	Book Value	% of Portfolio	YTM[1] 360 Equiv.	YTM[1] 365 Equiv.	Days to Maturity	Term[2]
LAIF /Highmark Capital	$34,500,000.00	$34,500,000.00	$34,500,000.00	12.46	3.027	3.069	1	1
Certificates of Deposit-Bank	9,996,000.00	9,996,000.00	9,996,000.00	3.61	3.065	3.108	373	718
Mortgage Backed Securities	24,445,370.90	24,274,316.24	24,941,978.64	9.01	3.232	3.277	1,033	1,741
Federal Agency Issues-Coupon	208,065,000.00	206,332,176.26	207,433,919.38	74.92	3.396	3.443	1,004	1,350
	$277,006,370.90	$275,102,492.50	$276,871,898.02	100%	3.323	3.369	859	1,194
Cash								
Passbook/Checking								
(not included in yield calculations)	$11,158,952.21	$11,158,952.21	$11,158,952.21		0.296	0.300	1	1
Total Cash and Investments	$288,165,323.11	$286,261,444.71	$288,030,850.23		3.323	3.369	859	1,194

Totals Earnings	June 30	Fiscal Year to Date	Fiscal Year Ending
Current Year	761,643.65	7,456,266.60	7,456,266.60
Average Daily Balance	296,961,717.29	260,691,578.37	
Effective Rate of Return	3.22%	2.96%	

3 Month History of Cash and Investments	
Current	$288,030,850.23
Last Month	323,458,720.76
Previous Month	310,593,353.18

(1) Yield to Maturity
(2) Number of days

Source: Imperial County Treasurer

ECONOMIC PROFILE

The information in this section regarding economic activity within the general area in which the District is located is provided as background information only, to describe the general economic health of the region. However, the District encompasses a relatively small area within the County, and the property tax required to be levied by the County to repay the Bonds will be levied only on property located in the District.

Introduction

The District is located in western Imperial County. The District includes the city of Calexico and certain unincorporated areas of Imperial County. The County is situated east of San Diego, west of Yuma, Arizona, bounded by Riverside County on the north and adjacent to the City of Mexicali, Baja California, Mexico on the south. Calexico serves as a prime link between the interior of Mexico and the major markets along the west coast of the U.S. and Canada. Calexico's location provides overnight trucking access to transportation hubs and the ports of Long Beach, and Ensenada, Baja California, Mexico. Affordable water and energy, and widely available land make Calexico a prime location for agriculture and industrial development. These advantages, combined with a mild climate and available land, make Imperial County attractive for industrial and residential development. Hundreds of acres are now being devoted to industrial parks and commercial and retail incentives are being offered to encourage industrial development.

Population

The following table summarizes the population statistics for Imperial County and the City of Calexico.

CALEXICO UNIFIED SCHOOL DISTRICT
Population of Imperial County and the City of Calexico [1]

Year	Imperial County	City of Calexico
1970	74,492	10,625
1980	92,110	14,412
1990	109,303	18,633
2000	145,285	27,018
2005	161,800	36,274

[1] Excludes population statistics of unincorporated territory within the District.

Source: California Department of Finance, Demographic Research Unit, estimates as of January 1.

Employment

The following table summarizes historical employment and unemployment in Imperial County and the City of Calexico, except the unincorporated portions of the District.

CALEXICO UNIFIED SCHOOL DISTRICT
Civilian Labor Force, Employment and Unemployment [1]
Annual Averages

	2001	2002	2003	2004	August 2005
Imperial County					
Employment	46,000	48,100	49,100	48,900	52,600
Unemployment	8,900	8,700	9,300	10,300	11,500
Civilian Labor Force	54,900	56,800	58,400	59,200	64,100
Unemployment Rate [2]	16.2%	15.3%	15.9%	17.4%	17.9%
City of Calexico					
Employment	8,800	9,300	9,400	9,400	10,100
Unemployment	2,000	1,900	2,100	2,300	2,600
Civilian Labor Force	10,800	11,200	11,500	11,700	12,700
Unemployment Rate [2]	18.3%	17.3%	17.9%	19.6%	20.2%

[1] March 2004 benchmark. Not seasonally adjusted. Based on place of residence.
[2] Calculated using unrounded data.

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

The following table summarizes the unemployment in the County of Imperial, the City of Calexico, the State of California and the nation.

CIVILIAN LABOR FORCE
Unemployment Rates as of August 2005[(1)]

City of Calexico	20.2%
Imperial County	17.9%
State of California	5.1%
United States of America	4.9%

(1) March 2004 benchmark. Based on place of residence. Calculated based on unrounded data. Not seasonally adjusted.

Source: California Employment Development Department, Labor Market Information and U.S. Department of Labor, Bureau of Labor Statistics.

The City of Calexico is included in the Imperial labor market area. The following table summarizes the historical number of workers in the Imperial labor market area by industry.

IMPERIAL COUNTY
Estimated Number of Wage and Salary Workers by Industry[(1)]

	2001	2002	2003	2004	August 2005
Farm	11,300	10,100	11,800	10,400	8,400
Natural Resources, Mining and Construction	1,700	1,700	1,600	1,700	2,000
Manufacturing	1,800	2,500	2,600	2,400	2,600
Wholesale Trade	1,700	1,600	1,700	1,700	1,800
Retail Trade	6,100	6,200	6,500	6,600	8,200
Transportation & Public Utilities	1,700	1,700	1,900	1,800	1,700
Information	400	400	400	400	400
Financial Activities	1,400	1,400	1,500	1,400	1,400
Professional and Business Services	1,700	2,100	2,200	2,100	2,200
Educational and Health Services	2,300	2,400	2,400	2,500	2,700
Leisure and Hospitality	2,800	2,900	2,600	2,900	3,200
Other Services	1,000	1,000	900	900	900
Government	16,100	16,700	16,900	16,600	16,000
Total All Industries	50,000	50,700	53,000	51,400	51,400

(1) Based on March 2004 benchmark

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding. Not seasonally adjusted.

Source: California Employment Development Department.

Largest Employers

The following table summarizes the largest employers in the City of Calexico.

CITY OF CALEXICO
Largest Employers

Employer	Products/Services	Number of Employees
Calexico Unified School District	Education	1,012
Wal-Mart	Retail	890
U.S. Customs & Border Protection	Federal Government	359
U.S Border Patrol	Federal Government	340
City of Calexico	Local Government	255
San Diego State University Imperial Valley Campus	Higher Education	138
Food-4-Less	Retail Grocery	100
A.F. Romero & Co.	Commercial	73
J.C. Penney	Retail	43
Big Lots	Retail	25

Source: City of Calexico Chamber of Commerce and telephone interviews as of October 2005

Commercial Activity

The following table summarizes historical taxable transactions in Imperial County.

IMPERIAL COUNTY
Taxable Transactions
(Dollars in Thousands)

Year	Outlets	Taxable Transactions
1999	3,864	$1,293,324
2000	3,850	1,403,530
2001	3,928	1,381,668
2002	3,958	1,462,537
2003	4,067	1,528,886
2004(1)	4,129	1,218,921

(1) as of third quarter 2004

Source: State Board of Equalization.

The following table summarizes historical taxable transactions in the District.

CALEXICO UNIFIED SCHOOL DISTRICT
Taxable Transactions for the City of Calexico[1] – All Outlets
(Dollars in Thousands)

City	1999	2000	2001	2002	2003	2004[2]
City of Calexico	$300,112	$333,136	$344,267	$378,396	$378,080	$279,347

(1) Excludes taxable transactions occurring in unincorporated territory within the District.
(2) as of third quarter 2004

Source: State Board of Equalization.

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. Median household EBI for the County of Imperial is shown in the following table. Median Household Income information was not available for the City of Calexico.

MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME

Year	Imperial County
2000	$20,656
2001	23,090
2002	24,770
2003	30,138
2004	30,215
2005	31,989

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

Building Activity

Shown below is a history of building activity in the County:

IMPERIAL COUNTY
Building Permit Valuation
(Dollars In Thousands)

	2000	2001	2002	2003	2004
Valuation ($000's)					
Single Family	$65,978	$62,096	$98,890	$126,260	$222,253
Multiple Family	5,688	7,130	8,222	12,011	23,567
Total	$71,667	$69,225	$107,112	$138,271	$245,819
Units					
Single Family	585	529	814	1,025	1,538
Multiple Family	98	506	194	176	382
Total	683	1,035	1,008	1,201	1,920

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

Shown below is a history of building activity in the City of Calexico:

CALEXICO UNIFIED SCHOOL DISTRICT
Building Permit Valuation for the City of Calexico[1]
(Dollars In Thousands)

	2000	2001	2002	2003	2004
Valuation ($000's)					
Single Family	$37,333	$32,996	$52,159	$50,919	$62,661
Multiple Family	86	3,843	5,944	3,246	3,300
Total	$37,419	$36,839	$58,103	$54,165	$65,961
Units					
Single Family	345	291	430	413	500
Multiple Family	2	411	88	112	97
Total	347	702	518	525	597

(1) Excludes building permit valuation occurring in unincorporated territory within the District and alterations and additions.

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

LEGAL MATTERS

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, under existing law, subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), under section 55 of the Code, is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the District to comply with one or more of such covenants could cause interest on the Bonds to not be excludable from gross income under section 103 of the Code for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

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

A copy of the proposed form of final opinion of Bond Counsel is attached hereto as "APPENDIX A — Proposed Form of Opinion of Bond Counsel".

Legality for Investment in the State of California

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

No Litigation

No litigation is pending or threatened against the District concerning the validity of the Bonds and a certificate of the District to that effect will be available at the time of 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 levy and collect ad valorem taxes, or to collect other revenues, or contesting its ability to issue and retire the Bonds.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Quint & Thimmig LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in "APPENDIX A — Proposed Form of Opinion of Bond Counsel." Bond Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

MISCELLANEOUS

Ratings

Standard & Poor's and Moody's have assigned their municipal bond ratings of "AAA" and "Aaa," respectively, to the Bonds with the understanding that the Policy insuring payment, when due, of the principal or accreted value of, and interest on, the Bonds will be issued on the date of delivery of the Bonds by Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company. Any rating issued reflects only the views of such rating agency, and any explanation of the significance of such rating should be obtained from such rating agency. The address of Standard & Poor's is 55 Water Street, New York, New York 10041 and the address of Moody's is 99 Church Street, New York, NY 10007.

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

Underwriting

The Bonds are being purchased by Kinsell, Newcomb & De Dios, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $16,275,785.58, which is equal to the initial principal amount of the Bonds, plus an original issue premium, minus the Underwriter's discount. The Contract of Purchase provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter has furnished the initial offering prices or yields shown on the cover hereof. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

Financial Advisor

A. Lopez & Associates LLC, Oakland, California, has served as Financial Advisor in connection with the issuance of the Bonds. While the Financial Advisor has participated in the drafting, editing and completion of certain portions of this Official Statement, the Financial Advisor has not independently audited, authenticated or otherwise verified the information set forth the Official Statement with respect to accuracy and completeness. Furthermore, although the information contained in the Official Statement was obtained from sources considered to be reliable, the Financial Advisor makes no guaranty, warranty or other representations respecting the accuracy and completeness of any of the information contained herein.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine (9) months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2004/05 Fiscal Year (which is due no later than March 31, 2006), and to provide notices of the occurrence of certain enumerated events, if material. 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 Nationally Recognized Municipal Securities Information Repository or with the Municipal Securities Rulemaking Board, and with the State information repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below under the caption "APPENDIX C — Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

With respect to the District's outstanding general obligation bonds (See "THE DISTRICT — District Debt Structure" herein), the District is required to file annual reports not later than nine months following the end of each fiscal year and to file a material events notice when bonds are defeased. The District believes that it is in compliance with all of its continuing disclosure requirements.

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 Bond Counsel, substantially in the form attached as "APPENDIX A" hereto;

(b) The Tax Certificate of the District upon which Bond Counsel will rely in delivering their tax opinion;

(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, the Official Statement of the District pertaining to said Bonds (excluding the description of 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 including the reoffering prices of the Bonds and the CUSIP numbers, and the description of the County's investment policy, current portfolio holdings and valuation procedures), 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 certificate of an appropriate County official, acting on behalf of the County 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, the description of the County's investment policy, current portfolio holdings, and valuation procedures contained in the section "COUNTY INVESTMENT POLICIES AND PRACTICES" of the Official Statement 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;

(f) 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 respectively duly authorized to execute the same;

(g) The receipt of the Treasurer for the purchase price of the Bonds, including interest accrued to the date of delivery thereof; and

(h) The Continuing Disclosure Certificate of the District in substantially the form shown in "APPENDIX C" attached hereto.

Additional Information

The purpose of this Official Statement is to supply information in connection with the sale of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution, and the constitutional provisions, statutes, and other documents contained herein do not purport to be complete, and reference is hereby made to said Bonds, Resolution, constitutional provisions, statutes, and other documents for full and complete statements of their provisions.

This Official Statement and its distribution have been duly authorized and approved by the District.

CALEXICO UNIFIED SCHOOL DISTRICT

By: /s/ David Alvarez
Superintendent

APPENDIX A

FORM OF FINAL OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Trustees of the
Calexico Unified School District
901 Andrade Avenue
Calexico, California 92231

OPINION: $15,999,993.20 Calexico Unified School District (Imperial County, California) General Obligation Bonds, 2004 Election, Series B

Members of the Board of Trustees:

We have acted as bond counsel to the Calexico Unified School District (the "District") in connection with the issuance by the Board of Supervisors of Imperial County (the "Board") of $15,999,993.20 principal amount of Calexico Unified School District (Imperial County, California) General Obligation Bonds, 2004 Election, Series B (the "Series B Bonds"), pursuant to Title 1, Division 1, Part 10, Chapter 2 (commencing with section 15100) of the California Education Code (the "Act"), and a resolution of the Board adopted on September 13, 2005 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the Series B Bonds in its name and to perform its obligations under the Resolutions and the Series B Bonds.

2. The District Resolution has been duly adopted by the District. The Board Resolution has been duly adopted by the Board and creates a valid first lien on the funds pledged under the Board Resolution for the security of the Series B Bonds.

3. The Series B Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Series B Bonds. The Series B Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District's compliance with certain covenants, interest on the Series B Bonds is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and, under section 55 of the Code, is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the District to

comply with one or more of such covenants could cause interest on the Series B Bonds to not be excludable from gross income under section 103 of the Code for federal income tax purposes retroactively to the date of issuance of the Series B Bonds.

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

Ownership of the Series B Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series B Bonds.

The rights of the owners of the Series B Bonds and the enforceability of the Series B Bonds and the Resolutions may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. 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.

Respectfully submitted,

APPENDIX B

EXCERPTS FROM DISTRICT'S 2003/04 AUDITED FINANCIAL STATEMENTS

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Wilkinson Hadley & Co. LLP
CPAs and Advisors
250 E. Douglas Ave., Suite 200 ♦ El Cajon, CA 92020
Tel (619) 447-6700 ♦ Fax (619) 447-6707

Independent Auditor's Report on Financial Statements

Board of Trustees
Calexico Unified School District
Calexico, California 92231

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calexico Unified School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Calexico Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Calexico Unified School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2005, on our consideration of Calexico Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

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

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Calexico Unified School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wilkinson Hadley & Co. LLP

Wilkinson Hadley & Co., LLP
January 7, 2005

CALEXICO UNIFIED SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

This Management Discussion and Analysis (MD&A) of the Calexico Unified School District's financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2004. The MD&A is required as a new element of the reporting model established by the Governmental Accounting Standards Board (GASB) Statement Number 34 (GASB 34). The District implemented GASB 34 in FY 2002-2003. The intent of this MD&A is to look at the district's financial performance as a whole. Readers should also review the auditor's transmittal letter, notes to the basic financial statements, and the financial statements to enhance their understanding of the district's financial performance.

Overview of Calexico Unified School District

The Calexico Unified School District is comprised of six K-6 elementary, two middle schools (grades 7-9), one comprehensive high school (grades 10-12), one continuation high school (grades 9-12), and an adult education program. The October 2003 CBEDS data reflects a student population of 8,839, which shows an increase of approximately 1,841 students in the past eight years. Additionally, there are 107 preschool-age students in our state-funded program and 650 adult students in the adult education center.

Due to the growth rate of the district, along with the successful passage of Measure J, construction will begin this year for Cesar Chavez Elementary. A new junior high school as well as modernization and new construction at Calexico High School are currently under design.

Ninety-eight (98%) of CUSD's students enter kindergarten with little or no English. The majority of the students are from low socio-economic backgrounds with more than 75% eligible for free and reduced lunch, 99% Hispanic descent, 1% other (predominantly Asian) and 76% English Learners.

Calexico Unified School District is committed to providing a high quality educational program to all of our students that is delivered by highly qualified staff and promotes active participation of parents in all areas of the educational process.

Financial Highlights

- Revenues and other sources were $67,426,352. Expenditures and other uses were $66,645,832.
- The District average daily attendance increased again due to the tremendous new housing growth in the District's boundaries. The ADA increased 195.92 to 8,513.22.
- The General Fund reported a positive fund balance of $5,223,103.
- The Calexico Unified School District's Government-wide Statement of net Assets shows total net assets of $38,939,968 the results of assets of $72,245,957 minus liabilities of $33,305,989.

Using These Financial Statements
This comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Calexico Unified School District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" "The Statement of Net Assets and the Statement of Activities" reports information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

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

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

Such information may be useful in evaluating the government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements will essentially match.

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. The District uses an agency fund to account for resources held for student activities and groups. The Calexico Unified School District is the trustee, or fiduciary, for its student activity funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

Government – Wide Financial Analysis

Calexico Unified School District's net assets were $38,939,968 as of June 30, 2004. The Statement of Net Assets (see table below) provides the perspective of the District as a whole. All of the data is from the District's government activities. The District does not operate any business-like entities. Net assets may serve over time as a useful indicator of a government's financial position.

NET ASSETS

Governmental Activities

	June 30, 2004	June 30, 2003	Total Change
Current and Other Assets	$29,889,848	$ 18,336,980	$11,552,868
Capital Assets	42,356,109	40,644,318	1,711,791
Total Assets	**$72,245,957**	**$58,981,298**	**$13,264,659**
Current Liabilities	$5,101,605	$ 8,194,853	($3,093,248)
Long-Term Debt	28,204,384	12,643,171	15,561,213
Total Liabilities	**$ 33,305,989**	**$ 20,838,024**	**$ 12,467,965**
Net Assets			
Invested in Capital Assets, Net of Related Debt	$29,042,353	$ 27,423,901	$1,618,452
Restricted	7,209,460	8,277,938	(1,068,478)
Unrestricted	2,688,155	2,441,435	246,720
Total Net Assets	**$ 38,939,968**	**$ 38,143,274**	**$ 796,694**

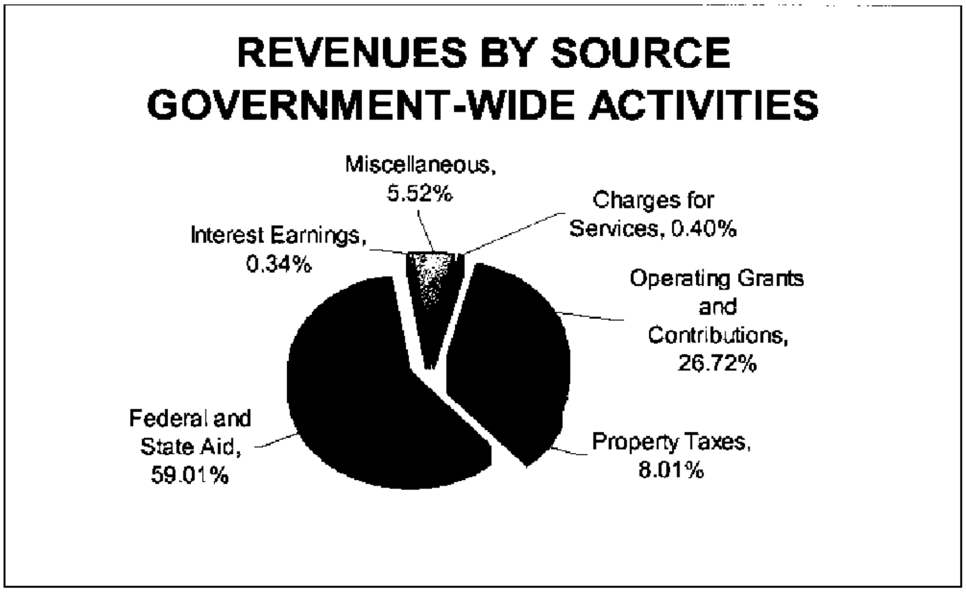
Government Activities. The table below presents the comparative amount of each of the District's largest functions by revenue/expenditure total for FY2002-2003 and FY2003-2004.

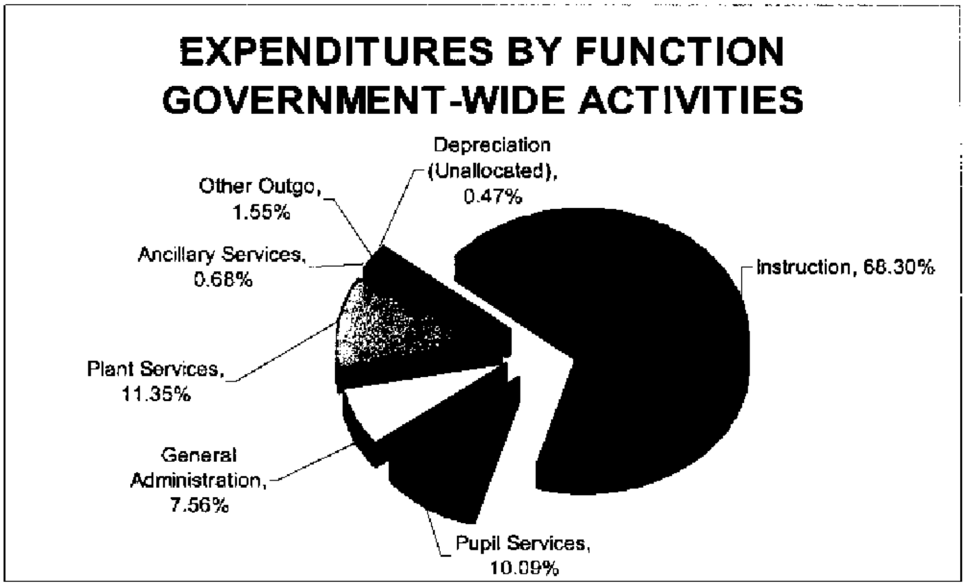
NET COSTS OF GOVERNMENT ACTIVITES

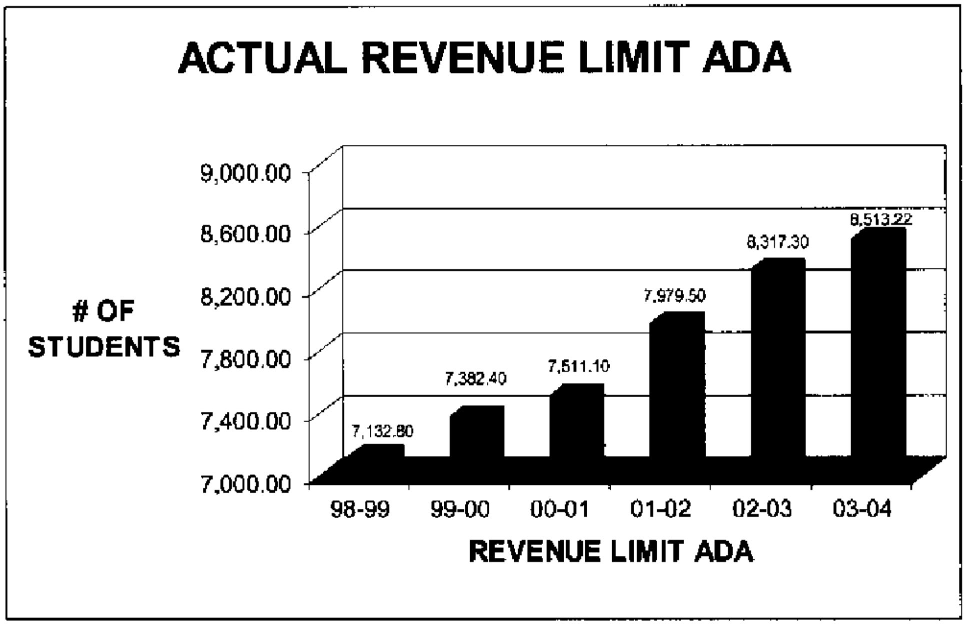
	% of Total	2003-2004	Change	%	2002-2003
Revenues					
Charges for Services	0.40%	$ 269,516	$ (601,513)	0.85%	$ 871,029
Operating Grants and Contributions	26.72%	18,017,475	(4,445,715)	6.27%	22,463,190
Capital Grants and Contributions	0.00%	-	-	0.00%	-
General Revenues					
Property Taxes	8.01%	5,403,753	507,000	0.72%	4,896,753
Federal and State Aid not Restricted	59.01%	39,782,280	611,855	0.86%	39,170,425
Interest and Investment Earnings	0.34%	231,306	(89,759)	0.13%	321,065
Miscellaneous	5.52%	3,722,022	537,739	0.76%	3,184,283
Total Revenues	**100.00%**	**$ 67,426,352**	**$ (3,480,393)**	**4.91%**	**$ 70,906,745**
Expenses					
Instruction	68.30%	45,509,332	(1,615,787)	2.37%	47,125,119
Pupil Services	10.09%	6,724,672	(392,988)	0.58%	7,117,660
General Administration	7.56%	5,041,637	412,613	0.61%	4,629,024
Plant Services	11.35%	7,567,088	616,437	0.90%	6,950,651
Ancillary Services	0.68%	453,041	(316,099)	0.46%	769,140
Interest on Long-Term Debt	1.55%	1,036,227	290,018	0.43%	746,209
Other Outgo	0.47%	313,835	(477,214)	0.70%	791,049
Depreciation (Unallocated)	0.00%	-	-	0.00%	-
Total Expenses	**100.00%**	**$ 66,645,832**	**$ (1,483,020)**	**2.17%**	**$ 68,128,852**
Change In Net Assets		**$ 780,520**	**$ (1,997,373)**		**$ 2,777,893**

As noted in the table, 68.30% of expenditures were instruction and instruction-related expenditures; 10.09% were pupil services, which consist of home-to school transportation, food services, and other pupil services; 11.35% were plant services; and 7.56% for general administration.

In terms of revenues, 59.01% of the revenues Calexico Unified School District receives are from unrestricted Federal and State Aid; while 8.01% is received through local property taxes. Operating Grants and Contributions accounts for 26.72% of revenues.


REVENUES BY SOURCE
GOVERNMENT-WIDE ACTIVITIES
Miscellaneous, 5.52%
Charges for Services, 0.40%
Interest Earnings, 0.34%
Operating Grants and Contributions, 26.72%
Federal and State Aid, 59.01%
Property Taxes, 8.01%


EXPENDITURES BY FUNCTION
GOVERNMENT-WIDE ACTIVITIES
Depreciation (Unallocated), 0.47%
Other Outgo, 1.55%
Ancillary Services, 0.68%
Instruction, 68.30%
Plant Services, 11.35%
General Administration, 7.56%
Pupil Services, 10.09%



Financial Analysis of the District's Funds

The District's budget is prepared in accordance with California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Over the course of the year, the District revised the annual operating budget several times. Some of the major reasons for the revisions were:

- The state legislature and governor made unprecedented mid-year cuts in FY02-03 and FY03-04 to balance the state budget. The uncertainty of these cuts restricted all spending.
- Decreased revenues from ADA figures lower than anticipated, increased special education funding, and increases in other state funding.

A comparison of the District's 2002-2003 unaudited ending general fund balance and the final unaudited ending general fund balance for 2003-2004 shows an increase of $622,701. State, federal and donor authorized funding restrictions mandate that carryover balances of funds are restricted for those purposes in the next fiscal year. There was $1,413,072 in restricted balances as of June 30, 2004.

CUSD's unrestricted ending fund balance actually increased by $1,260,467. The primary factor for this was due to one-time flexibility transfers of $828,100. The unrestricted balance or the designation for economic uncertainty reserve is required by state law to be at least 3% for contingencies or possible reductions in state funding and is not to be used in the negotiation or settlement of contract salaries.

As of June 30, 2004, the $3,798,049 held in the reserve meets the 3% requirement. The maintenance of a sufficient reserve is a key credit consideration in garnering excellent short-term and long-term bond ratings.

Capital Asset and Debt Administration

At the end of fiscal year 2003-2004, the District had $42,356,109 invested in a broad range of capital assets, including land, school buildings, equipment such as computer servers, and construction in progress such as the Rockwood Elementary addition. The table below shows fiscal year 2003-2004 balances.

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	Governmental Activities		
	June 30, 2004	June 30, 2003	Total Change
Land	$6,624,185	$6,624,185	$ -
Buildings and Improvements	30,459,416	30,636,293	(176,877)
Equipment	1,688,799	1,110,487	578,312
Construction in Progress	3,583,709	2,273,353	1,310,356
Totals	**$42,356,109**	**$40,644,318**	**$1,711,791**

This Year's major additions included

Completion of 8 Room Wing Addition - Rockwood	$1,503,276
Completion of Technology Trailer – District Office	215,781
Total	**$1,719,057**

Major Work in progress included:

Cesar Chavez Elementary	$804,318
HVAC Project at Calexico High School	2,338,224
De Anza Modernization	111,899
New Jr. High School (Las Brisas/ CM Ranch)	84,914
Calexico High School Modernization	41,065
CNG Filling Station – Maintenance & Operations	203,289
Total	**$3,583,709**

Long-Term Debt

At year-end, the District had over $28 million in general obligation bonds, capital lease obligations, certificates of participation, and other long-term debt.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds	$ 13,999,956	$ -	$ 13,999,956
Certificates of Participation	$ 8,460,000	$ -	$ 8,460,000
Capitalized Lease Obligations	$ 135,584	$ -	$ 135,584
Other	$ 346,258	$ -	$ 346,258
Other General Long-Term Debt	$ 5,262,586	$ -	$ 5,262,586
Total	**$ 28,204,384**		**$ 28,204,384**

This Year's Major Changes Included	
Issue General Obligation Bond	
Refinanced Mello Roos COP's	$ 13,999,956
	$ 1,215,000
Next Year's Major Changes Include	
Possible Subsequent Issuance of General Obligation Bond	
	$ 16,000,000

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

Calexico Unified School District student enrollment has increased over the past years and is anticipated to continue to grow. The continued growth in student enrollment and the continued business and residential growth in the school district will provide additional income for the school district and will help offset any reductions in state funding.

On March 2, 2004, the voters of the District passed with a 75.2% yes vote a General Obligation Bond for $30,000,000. As of June 30, 2004, the District had only issued $13,999,956 of this voter approved debt. The funds will be used to eliminate the current Mello Roos tax and build a new elementary school, a new junior high school, and refurbish Calexico High School.

Contacting the District's Financial Management

The financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to determine the District's accountability for the money it receives. Additional financial information can be obtained by contacting the office of the Assistant Superintendent for Business Services, Calexico Unified School District, 901 Andrade Avenue, Calexico, California 92231.

Basic Financial Statements

CALEXICO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities
ASSETS:	
Cash in County Treasury	$ 22,049,591
Cash on Hand and in Banks	25,133
Cash in Revolving Fund	10,000
Cash with a Fiscal Agent/Trustee	48,750
Accounts Receivable	7,395,001
Stores Inventories	311,279
Other Current Assets	50,094
Capital Assets:	
Land	6,624,185
Improvement of Sites	6,222,531
Buildings	41,897,873
Equipment	3,650,483
Work in Progress	3,583,709
Less Accumulated Depreciation	(19,622,672)
Total Assets	72,245,957
LIABILITIES:	
Accounts Payable	2,759,310
Deferred Revenues	2,342,295
Long-Term Liabilities:	
Due within One Year	1,258,371
Due in More Than One Year	26,946,013
Total Liabilities	33,305,989
NET ASSETS:	
Invested in Capital Assets, net of Related Debt	29,042,353
Restricted For:	
Capital Projects	3,266,628
Debt Service	901,750
Educational Programs	2,342,295
Other Purposes (Expendable)	698,787
Unrestricted	2,688,155
Total Net Assets	$ 38,939,968

The accompanying notes are an integral part of this statement.

CALEXICO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT:				
Government Activities:				
Instruction	$ 38,752,684	$ 121,869	$ 8,903,503	$ (29,727,312)
Instruction-Related Services	6,756,648	-	3,342,842	(3,413,806)
Pupil Services	6,724,672	-	3,619,806	(3,104,866)
General Administration	5,041,637	-	965,863	(4,075,774)
Plant Services	7,567,088	67	172,562	(7,394,459)
Ancillary Services	453,041	125	153,022	(299,894)
Enterprise	3,279	1,525	1,749	(5)
Interest on Long-Term Debt	1,032,948	-	-	(1,032,948)
Other Outgo	313,835	145,930	858,128	690,223
Total Governmental Activities	66,645,832	269,516	18,017,475	(48,358,841)
Total Primary Government	$ 66,645,832	$ 269,516	$ 18,017,475	(48,358,841)

General Revenues:	
Taxes and Subventions	5,403,753
Federal and State Revenues, not restricted	39,782,280
Interest and Investment Earnings	231,306
Miscellaneous	5,729,334
Special and Extraordinary Items	(2,007,312)
Total General Revenues	49,139,361
Change in Net Assets	780,520
Net Assets - Beginning	38,159,448
Net Assets - Ending	$ 38,939,968

The accompanying notes are an integral part of this statement.

CALEXICO UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	Building Fund
ASSETS:		
Cash in County Treasury	$ 2,832,246	$ 14,000,910
Cash on Hand and in Banks	-	-
Cash in Revolving Fund	10,000	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	6,693,522	20,335
Due from Other Funds	251,198	-
Stores Inventories	-	-
Prepaid Expenditures	1,622	-
Total Assets	$ 9,788,588	$ 14,021,245
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 1,473,191	$ 11,150
Due to Other Funds	752,773	262,957
Deferred Revenue	2,339,521	-
Total liabilities	4,565,485	274,107
Fund Balance:		
Reserved Fund Balances:		
Reserve for Revolving Cash	10,000	-
Reserve for Stores Inventories	-	-
Reserve for Prepaid Items	1,622	-
Reserve for Legally Restricted Balance	1,413,072	-
Designated Fund Balances:		
Designated for Economic Uncertainties	2,688,155	-
Other Designated	1,110,254	-
Unreserved	-	13,747,138
Unreserved, reported in nonmajor:		
Special Revenue Funds	-	-
Debt Service Funds	-	-
Capital Projects Funds	-	-
Total Fund Balance	5,223,103	13,747,138
Total Liabilities and Fund Balances	$ 9,788,588	$ 14,021,245

The accompanying notes are an integral part of this statement.

Capital Facilities Fund	Blended Component Unit	Other Governmental Funds	Total Governmental Funds
$ 2,003,129	$ 2,127,225	$ 975,596	$ 21,939,106
14,986	-	10,147	25,133
-	-	-	10,000
-	48,748	-	48,748
11,523	-	607,632	7,333,012
403,201	-	615,730	1,270,129
-	-	311,279	311,279
-	-	-	1,622
$ 2,432,839	$ 2,175,973	$ 2,520,384	$ 30,939,029
$ 868,977	$ -	$ 176,452	$ 2,529,770
-	-	254,399	1,270,129
-	-	2,773	2,342,294
868,977	-	433,624	6,142,193
-	-	-	10,000
-	-	311,279	311,279
-	-	-	1,622
-	-	-	1,413,072
-	-	-	2,688,155
-	-	-	1,110,254
1,563,862	2,175,973	-	17,486,973
-	-	1,277,074	1,277,074
-	-	481,760	481,760
-	-	16,647	16,647
1,563,862	2,175,973	2,086,760	24,796,836
$ 2,432,839	$ 2,175,973	$ 2,520,384	$ 30,939,029

CALEXICO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Total fund balances - governmental funds balance sheet	$ 24,796,836
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds, net of accumulated depreciation.	42,356,108
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:	(136,663)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of:	(28,204,384)
Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with govermental activities in the statement of net assets. Net assets for internal service funds are:	128,071
Net assets of governmental activities - statement of net assets	$ 38,939,968

The accompanying notes are an integral part of this statement.

CALEXICO UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Building Fund
Revenues:		
Revenue Limit Sources:		
State Apportionments	$ 35,758,210	$ -
Local Sources	5,511,991	-
Federal Revenue	6,662,522	-
Other State Revenue	9,471,922	-
Other Local Revenue	3,153,871	19,966
Total Revenues	60,558,516	19,966
Expenditures:		
Instruction	36,876,134	-
Instruction - Related Services	6,401,728	-
Pupil Services	3,831,720	-
Ancillary Services	431,283	-
Enterprise	3,279	-
General Administration	4,810,436	-
Plant Services	6,704,400	11,150
Other Outgo	313,835	262,575
Debt Service:		
Principal	13,000	-
Interest	-	-
Total Expenditures	59,385,815	273,725
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,172,701	(253,759)
Other Financing Sources (Uses):		
Operating Transfers In	400,000	-
Operating Transfers Out	(950,000)	-
Proceeds From Sale of Bonds	-	13,999,956
Other Sources	-	-
Other Uses	-	-
Total Other Financing Sources (Uses)	(550,000)	13,999,956
Net Change in Fund Balance	622,701	13,746,197
Fund Balance, July1	4,600,402	941
Fund Balance, June 30	$ 5,223,103	$ 13,747,138

The accompanying notes are an integral part of this statement.

Capital Facilities Fund	Blended Component Unit	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 454,916	$ 36,213,126
-	-	-	5,511,991
-	-	1,969,978	8,632,500
-	-	743,668	10,215,590
3,147,673	2,004,593	534,354	8,860,457
3,147,673	2,004,593	3,702,916	69,433,664
-	-	786,802	37,662,936
-	-	177,669	6,579,397
-	-	2,745,968	6,577,688
-	-	-	431,283
-	-	-	3,279
240,461	-	10,208	5,061,105
1,435,803	-	2,556,670	10,708,023
-	396,036	-	972,446
695,660	7,955,260	-	8,663,920
196,945	842,468	-	1,039,413
2,568,869	9,193,764	6,277,317	77,699,490
578,804	(7,189,171)	(2,574,401)	(8,265,826)
645,704	-	570,000	1,615,704
(420,000)	-	(245,704)	(1,615,704)
-	8,460,000	-	22,459,956
-	-	262,575	262,575
-	(769,603)	-	(769,603)
225,704	7,690,397	586,871	21,952,928
804,508	501,226	(1,987,530)	13,687,102
759,354	1,674,747	4,074,290	11,109,734
$ 1,563,862	$ 2,175,973	$ 2,086,760	$ 24,796,836

CALEXICO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds		$ 13,687,102
Amounts reported for governmental activities in the statement of activities are different because:		
Capital Outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	3,236,691	
Depreciation expense	(1,524,900)	
Net		1,711,791
Debt service: In governmental funds, repayment of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		8,663,920
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were:		(23,960,240)
Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:		
Issue costs incurred during the period	658,611	
Issue costs amortized for the period	-	658,611
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the governmental-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		6,464
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		(30,063)
Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:		42,935
Change in net assets of governmental activities - statement of activities		$ 780,520

The accompanying notes are an integral part of this statement.

CALEXICO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS
INTERNAL SERVICE FUND
JUNE 30, 2004

	Nonmajor Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	$ 110,485
Accounts Receivable	61,991
Prepaid Expenditures	48,472
Total Current Assets	220,948
Total Assets	$ 220,948
LIABILITIES:	
Current Liabilities:	
Accounts Payable	$ 92,877
Total Current Liabilities	92,877
Total Liabilities	92,877
NET ASSETS:	
Unrestricted Net Assets	128,071
Total Net Assets	$ 128,071

The accompanying notes are an integral part of this statement.

CALEXICO UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUND FOR THE YEAR ENDED JUNE 30, 2004

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	$ 611,377
Total Revenues	611,377
Operating Expenses:	
Services and Other Operating Expenses	568,442
Total Expenses	568,442
Income (Loss) before Contributions and Transfers	42,935
Change in Net Assets	42,935
Total Net Assets - Beginning	85,136
Total Net Assets - Ending	$ 128,071

The accompanying notes are an integral part of this statement.

CALEXICO UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Nonmajor Internal Service Fund
	Self Insurance Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 610,023
Cash Payments to Other Suppliers for Goods and Services	(501,753)
Net Cash Provided (Used) by Operating Activities	108,270
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	1,354
Net Cash Provided (Used) for Investing Activities	1,354
Net Increase (Decrease) in Cash and Cash Equivalents	109,624
Cash and Cash Equivalents at Beginning of Year	861
Cash and Cash Equivalents at End of Year	$ 110,485
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ 42,935
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(10,301)
Decrease (Increase) in Due From	12,617
Decrease (Increase) in Prepaid Expenses	(5,504)
Increase (Decrease) in Accounts Payable	92,877
Increase (Decrease) in Due To	(23,000)
Total Adjustments	66,689
Net Cash Provided (Used) by Operating Activities	$ 109,624

The accompanying notes are an integral part of this statement.

CALEXICO UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	$ 221,670
Total Assets	$ 221,670
LIABILITIES:	
Due to Student Groups	$ 221,670
Total Liabilities	221,670
NET ASSETS:	
Total Net Assets	$ -

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

Based on these criteria, the District has one component unit, the Calexico Unified School Community Facilities Districts. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

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

The District reports the following major governmental funds:

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

Building Fund. This fund accounts for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

Capital Facilities Fund. This fund accounts for the acquisition of governmental capital facilities.

Blended Component Unit: This fund accounts for the activities of the District's Community Facilities Districts.

In addition, the District reports the following fund types:

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

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

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

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

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

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

3. Encumbrances

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

4. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

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

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

e. Compensated Absences

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

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

f. Deferred Revenue

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

g. Interfund Activity

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

h. Property Taxes

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

i. Fund Balance Reserves and Designations

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

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

j. Use of Estimates

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
None reported	Not applicable

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

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Excess of Expenditures Over Appropriations

As of June 30, 2004, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category		Excess Expenditures
General Fund:		
Enterprise	$	3,279
Other outgo		2,055

D. Cash and Investments

Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool ($22,049,591 as of June 30, 2004). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $22,049,591. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks ($246,803 as of June 30, 2004) and in the revolving fund ($10,000) are insured up to $100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments:

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. These custodial risk categories are as follows:

Category 1 - Investments that are insured, registered or held by the District or by its agent in the District's name.

Category 2 - Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the District's name.

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

The District's investment at June 30, 2004 is shown below. Those investments which are evidenced by securities that exist in physical or book entry form are categorized by the custodial risk categories described above.

Investment	Category 1	Category 2	Category 3	Reported Amount	Fair Value
U.S. Treasury Obligations	$ -	$ 48,750	$ -	$ 48,750	$ 48,750
Total Investments	$ -	$ 48,750	$ -	$ 48,750	$ 48,750

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

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

E. Capital Assets

Capital asset activity for the period ended June 30, 2004, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 6,624,185	$ -	$ -	$ 6,624,185
Work in progress	2,273,353	3,281,191	1,970,835	3,583,709
Total capital assets not being depreciated	8,897,538	3,281,191	1,970,835	10,207,894
Capital assets being depreciated:				
Buildings	40,178,817	1,719,056	-	41,897,873
Improvements	6,115,998	106,533	-	6,222,531
Equipment	3,549,737	100,746	-	3,650,483
Total capital assets being depreciated	49,844,552	1,926,335	-	51,770,887
Less accumulated depreciation for:				
Buildings	(12,486,618)	(983,697)	-	(13,470,315)
Improvements	(3,149,762)	(265,944)	-	(3,415,706)
Equipment	(2,461,392)	(275,259)	-	(2,736,651)
Total accumulated depreciation	(18,097,772)	(1,524,900)	-	(19,622,672)
Total capital assets being depreciated, net	31,746,780	401,435	-	32,148,215
Governmental activities capital assets, net	$ 40,644,318	$ 3,682,626	$ 1,970,835	$ 42,356,109

Depreciation was charged to functions as follows:

Instruction	$ 1,109,370
Instruction-Related Services	177,252
Pupil Services	150,604
Ancillary Services	21,759
General Administration	37,240
Plant Services	28,675
	$ 1,524,900

CALEXICO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2004, consisted of the following:

Due To Fund	Due From Fund	Amount
General Fund	Adult Education Fund	$ 7,489
General Fund	Child Development Fund	19,472
General Fund	Cafeteria Fund	224,237
Building Fund	Bond Interest & Redemption Fund	262,956
Child Development Fund	General Fund	2,773
Cafeteria Fund	General Fund	100,000
Deferred Maintenance Fund	General Fund	250,000
Capital Facilities Fund	General Fund	400,000
Capital Facilities Fund	Deferred Maintenance Fund	3,202
	Total	$ 1,270,129

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2004, consisted of the following:

Transfers From	Transfers To	Amount
General Fund	Cafeteria Fund	$ 100,000
General Fund	Capital Facilities Fund	400,000
Capital Facilities Fund	General Fund	400,000
State School Building Fund	Capital Facilities Fund	245,704
General Fund	Deferred Maintenance Fund	450,000
Capital Facilities Fund	State School Building Fund	20,000
	Total	$ 1,615,704

G. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended June 30, 2004, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ -	$ 13,999,956	$ -	$ 13,999,956	-
Capital leases	190,884	-	55,300	135,584	57,583
Certificates of participation	-	8,460,000	-	8,460,000	610,000
Special tax revenue bonds	7,605,000	-	7,605,000	-	-
Compensated absences *	316,195	30,063	-	346,258	346,258
Zions Bank lease agreement	5,424,534	124,769	286,717	5,262,586	244,530
Total governmental activities	$ 13,536,613	$ 22,614,788	$ 7,947,017	$ 28,204,384	$ 1,258,371

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, net of certificates of participation, at June 30, 2004, are as follows:

	Governmental Activities		
Year Ending June 30,	Principal	Interest	Total
2005	$ 648,371	$ 487,622	$ 1,135,993
2006	293,881	652,951	946,832
2007	430,396	644,448	1,074,844
2008	472,080	633,527	1,105,607
2009	503,938	620,931	1,124,869
2010-2014	2,788,283	3,214,762	6,003,045
2015-2019	3,532,291	3,208,083	6,740,374
2020-2024	3,378,108	3,232,249	6,610,357
2025-2029	3,344,114	3,439,436	6,783,550
2030-2034	4,352,922	3,688,572	8,041,494
Totals	$ 19,744,384	$ 19,822,581	$ 39,566,965

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2004, as follows:

Year Ending June 30:	
2005	$ 59,991
2006	13,000
2007	13,000
2008	13,000
2009	13,000
2010-2014	26,000
Total Minimum Lease Payments	137,991
Less Amount Representing Interest	(2,407)
Present Value of Net Minimum Lease Payments	$ 135,584

4. Certificates of Participation

Future commitments for certificates of participation as of June 30, 2004 are as follows:

	Governmental Activities		
Year Ending June 30,	Principal	Interest	Total
2005	$ 610,000	$ 207,105	$ 817,105
2006	480,000	196,083	676,083
2007	490,000	184,832	674,832
2008	530,000	172,662	702,662
2009	610,000	158,655	768,655
2010-2014	3,200,000	575,825	3,775,825
2015-2019	2,540,000	187,666	2,727,666
Totals	$ 8,460,000	$ 1,682,828	$ 10,142,828

H. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRM). The relationship between the District and the JPA is such that the JPA is not a component unit of the District.

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

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2004 is as follows:

Total Assets	$	43,358
Total Liabilities		-
Total Fund Balance		43,358
Total Cash Receipts		1,953
Total Cash Disbursements		980
Net Change in Fund Balance		973

I. Employee Retirement Systems

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

PERS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year 2003-04 were 2.894% of payroll for the six months ending December 31, 2003, and 2.771% of payroll for the remaining six months ending June 30, 2004. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2004, 2003 and 2002 were $1,342,264, $729,958 and $490,760, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was $7,378.

STRS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2003-04 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2004, 2003 and 2002 were $2,426,728, $2,542,444 and $2,180,829, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was $1,482,069.

J. Postemployment Benefits Other Than Pension Benefits

The District provides postretirement health care benefits, as established by board policy, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service.

The District pays health insurance premiums on behalf of qualified pre-Medicare retirees at a rate ranging from 50% to 100% of the cost, depending on length of service and other factors. During the year ended June 30 2004, expenditures of $283,820 were recognized for postretirement health care. These costs were funded on a pay-as-you-go basis. The District does not recognize a liability for future postemployment health care benefits because the amount cannot be reasonably determined.

K. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

L. Risk Management

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

All funds of the District participate in the program, but only the General Fund makes payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a liability for open claims and Incurred But Not Reported (IBNR) claims. The claims and liability of $92,877 is included in the liabilities under accounts payable and is reported in accordance with Financial Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated at the end of the fiscal year. Changes in the Internal Service Fund's claim liability in the fiscal year ended June 30, 2004 are indicated below:

Internal Service Fund:	Begining Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Year 2003-04	$ -	$ 661,319	$ 568,442	$ 92,877

Required Supplementary Information

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

CALEXICO UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Revenue Limit Sources:				
State Apportionments	$ 36,711,591	$ 35,798,280	$ 35,758,210	$ (40,070)
Local Sources	4,805,853	5,352,714	5,511,991	159,277
Federal Revenue	5,680,335	8,465,255	6,662,522	(1,802,733)
Other State Revenue	10,263,375	10,677,151	9,471,922	(1,205,229)
Other Local Revenue	2,642,274	2,572,274	3,153,871	581,597
Total Revenues	60,103,428	62,865,674	60,558,516	(2,307,158)
Expenditures:				
Instruction	38,536,484	39,998,113	36,876,134	3,121,979
Instruction - Related Services	5,757,287	6,930,013	6,401,728	528,285
Pupil Services	4,175,242	4,103,003	3,831,720	271,283
Ancillary Services	470,258	493,314	431,283	62,031
Enterprise	-	-	3,279	(3,279)
General Administration	4,360,431	4,916,622	4,810,436	106,186
Plant Services	6,313,579	6,751,042	6,704,400	46,642
Other Outgo	311,780	311,780	313,835	(2,055)
Debt Service:				
Principal	18,181	18,181	13,000	5,181
Total Expenditures	59,943,242	63,522,068	59,385,815	4,136,253
Excess (Deficiency) of Revenues Over (Under) Expenditures	160,186	(656,394)	1,172,701	1,829,095
Other Financing Sources (Uses):				
Operating Transfers In	22,500	22,500	400,000	377,500
Operating Transfers Out	(603,711)	(603,711)	(950,000)	(346,289)
Total Other Financing Sources (Uses)	(581,211)	(581,211)	(550,000)	31,211
Net Change in Fund Balance	(421,025)	(1,237,605)	622,701	1,860,306
Fund Balance, July1	4,600,402	4,600,402	4,600,402	-
Fund Balance, June 30	$ 4,179,377	$ 3,362,797	$ 5,223,103	$ 1,860,306

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CALEXICO UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the Board of Supervisors of Imperial County (the "Board") in the name of the District of $15,999,993.20 Calexico Unified School District (Imperial County, California) General Obligation Bonds, 2004 Election, Series B (the "Series B Bonds"). The Series B Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on August 10, 2005, and a resolution adopted by the Board on September 13, 2005 (collectively, the "Resolution"). The District covenants and agrees as follows:

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

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

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

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

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

"*National Repository*" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"*Participating Underwriter*" shall mean Kinsell, Newcomb & De Dios, Inc., as original underwriter of the Series B Bonds, required to comply with the Rule in connection with offering of the Series B Bonds.

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

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

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

Section 3. Provision of Annual Reports.

(a) The District shall, or upon written direction shall cause the Dissemination Agent to, not later than eight months after the end of the District's fiscal year (which date would be March 1), commencing with the report for the 2004-2005 fiscal year, provide to each Repository and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure 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 not available by that date. If the District's fiscal year changes, it shall give notice of such change to the Municipal Securities

Rulemaking Board and each State Repository. The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to the Municipal Securities Rulemaking Board and each State Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

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

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

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

(a) Audited Financial Statements prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Series B Bonds:

(i) The District's approved budget for the then current fiscal year;
(ii) Assessed value of taxable property in the District as shown on the recent equalized assessment role;
(iii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year; and
(iv) Top ten property owners in the District for the then current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable value and their percentage of total secured assessed value.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to 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.

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

Section 5. Reporting of Significant Events.

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

(i) Principal and interest payment delinquencies.
(ii) Non-payment related defaults.
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
(v) Substitution of credit or liquidity providers, or their failure to perform.
(vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
(vii) Modifications to rights of security holders.
(viii) Contingent or unscheduled bond calls.
(ix) Defeasances.
(x) Release, substitution, or sale of property securing repayment of the securities.
(xi) Rating changes.

(b) 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 law. The Dissemination Agent shall have no role nor any responsibility for such determination.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository with a copy to the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Series B Bond owners pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Series B Bonds.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the District. Any Dissemination Agent may resign by providing thirty days' written notice to the District.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) the proposed amendment or waiver either (i) is approved by holders of the Series B Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or

(ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Series B Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Municipal Securities Rulemaking Board and each Repository.

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 9. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Series B Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the 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 Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders or any other party. The obligations of the District under this Section 10 shall survive resignation or removal of the Dissemination Agent and payment of the Series B Bonds.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Series B Bonds, and shall create no rights in any other person or entity.

Section 12. Alternative Filing Location. Any filing under this Disclosure Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org.

Date: [Closing Date]

CALEXICO UNIFIED SCHOOL DISTRICT

By ______________________________

Superintendent

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD AND EACH STATE REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Calexico Unified School District
Name of Issue:	Calexico Unified School District (Imperial County, California) General Obligation Bonds, 2004 Election, Series B
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Calexico Unified School District (the "District") has not provided an Annual Report with respect to the above-named Series B Bonds as required by Section 6 of the resolution adopted by the Board of Trustees of the District on August 10, 2005. The District anticipates that the Annual Report will be filed by ______________.

Dated: __________________

CALEXICO UNIFIED SCHOOL DISTRICT

By ____
Title ____

APPENDIX D

ACCRETED VALUE TABLES

DATE	08/01/2007 @ 3.6005636%	08/01/2008 @ 3.6502340%	08/01/2009 @ 3.7501940%	08/01/2010 @ 3.9002294%	08/01/2011 @ 4.0001621%	08/01/2012 @ 4.1001573%	08/01/2013 @ 4.2001245%	08/01/2014 @ 4.3000447%	08/01/2015 @ 4.4000922%	08/01/2016 @ 4.5001200%
12/13/2005	4,716.90	4,545.70	4,368.60	4,180.65	4,000.10	3,819.85	3,640.60	3,463.00	3,287.60	3,115.00
02/01/2006	4,739.40	4,567.68	4,390.30	4,202.24	4,021.28	3,840.58	3,660.83	3,482.70	3,306.73	3,133.54
08/01/2006	4,824.72	4,651.04	4,472.62	4,284.19	4,101.71	3,919.31	3,737.71	3,557.58	3,379.48	3,204.04
02/01/2007	4,911.58	4,735.93	4,556.48	4,367.73	4,183.75	3,999.66	3,816.21	3,634.07	3,453.83	3,276.14
08/01/2007	5,000.00	4,822.37	4,641.92	4,452.91	4,267.42	4,081.66	3,896.35	3,712.20	3,529.82	3,349.85
02/01/2008	–	4,910.38	4,728.96	4,539.74	4,352.78	4,165.33	3,978.18	3,792.01	3,607.48	3,425.23
08/01/2008	–	5,000.00	4,817.64	4,628.27	4,439.84	4,250.73	4,061.72	3,873.54	3,686.84	3,502.30
02/01/2009	–	–	4,907.97	4,718.53	4,528.64	4,337.87	4,147.02	3,956.83	3,767.96	3,581.10
08/01/2009	–	–	5,000.00	4,810.55	4,619.21	4,426.80	4,234.11	4,041.90	3,850.85	3,661.68
02/01/2010	–	–	–	4,904.36	4,711.60	4,517.55	4,323.03	4,128.80	3,935.57	3,744.07
08/01/2010	–	–	–	5,000.00	4,805.84	4,610.17	4,413.81	4,217.57	4,022.16	3,828.31
02/01/2011	–	–	–	–	4,901.96	4,704.68	4,506.51	4,308.25	4,110.65	3,914.45
08/01/2011	–	–	–	–	5,000.00	4,801.13	4,601.15	4,400.88	4,201.08	4,002.53
02/01/2012	–	–	–	–	–	4,899.56	4,697.77	4,495.50	4,293.51	4,092.59
08/01/2012	–	–	–	–	–	5,000.00	4,796.43	4,592.15	4,387.97	4,184.67
02/01/2013	–	–	–	–	–	–	4,897.16	4,690.88	4,484.51	4,278.83
08/01/2013	–	–	–	–	–	–	5,000.00	4,791.74	4,583.17	4,375.11
02/01/2014	–	–	–	–	–	–	–	4,894.76	4,684.00	4,473.55
08/01/2014	–	–	–	–	–	–	–	5,000.00	4,787.05	4,574.21
02/01/2015	–	–	–	–	–	–	–	–	4,892.37	4,677.13
08/01/2015	–	–	–	–	–	–	–	–	5,000.00	4,782.37
02/01/2016	–	–	–	–	–	–	–	–	–	4,889.97
08/01/2016	–	–	–	–	–	–	–	–	–	5,000.00
02/01/2017	–	–	–	–	–	–	–	–	–	–
08/01/2017	–	–	–	–	–	–	–	–	–	–
02/01/2018	–	–	–	–	–	–	–	–	–	–
08/01/2018	–	–	–	–	–	–	–	–	–	–
02/01/2019	–	–	–	–	–	–	–	–	–	–
08/01/2019	–	–	–	–	–	–	–	–	–	–
02/01/2020	–	–	–	–	–	–	–	–	–	–
08/01/2020	–	–	–	–	–	–	–	–	–	–
02/01/2021	–	–	–	–	–	–	–	–	–	–
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02/01/2022	–	–	–	–	–	–	–	–	–	–
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08/01/2023	–	–	–	–	–	–	–	–	–	–
02/01/2024	–	–	–	–	–	–	–	–	–	–
08/01/2024	–	–	–	–	–	–	–	–	–	–
02/01/2025	–	–	–	–	–	–	–	–	–	–
08/01/2025	–	–	–	–	–	–	–	–	–	–
02/01/2026	–	–	–	–	–	–	–	–	–	–
08/01/2026	–	–	–	–	–	–	–	–	–	–
02/01/2027	–	–	–	–	–	–	–	–	–	–
08/01/2027	–	–	–	–	–	–	–	–	–	–
02/01/2028	–	–	–	–	–	–	–	–	–	–
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02/01/2029	–	–	–	–	–	–	–	–	–	–
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02/01/2030	–	–	–	–	–	–	–	–	–	–
08/01/2030	–	–	–	–	–	–	–	–	–	–
02/01/2031	–	–	–	–	–	–	–	–	–	–
08/01/2031	–	–	–	–	–	–	–	–	–	–
02/01/2032	–	–	–	–	–	–	–	–	–	–
08/01/2032	–	–	–	–	–	–	–	–	–	–
02/01/2033	–	–	–	–	–	–	–	–	–	–
08/01/2033	–	–	–	–	–	–	–	–	–	–
02/01/2034	–	–	–	–	–	–	–	–	–	–
08/01/2034	–	–	–	–	–	–	–	–	–	–

DATE	08/01/2017 @ 4.6000211%	08/01/2018 @ 4.7001436%	08/01/2019 @ 4.7500800%	08/01/2020 @ 4.8000277%	08/01/2021 @ 4.8501265%	08/01/2022 @ 4.9200738%	08/01/2023 @ 4.9301082%	08/01/2024 @ 4.9600397%	08/01/2025 @ 4.9900428%	08/01/2026 @ 5.0200281%
12/13/2005	2,945.75	2,780.20	2,636.40	2,497.60	2,363.75	2,227.70	2,118.35	2,006.70	1,899.80	1,797.55
02/01/2006	2,963.67	2,797.47	2,652.95	2,513.45	2,378.90	2,242.18	2,132.15	2,019.85	1,912.33	1,809.47
08/01/2006	3,031.83	2,863.22	2,715.96	2,573.77	2,436.59	2,297.34	2,184.71	2,069.94	1,960.04	1,854.89
02/01/2007	3,101.56	2,930.51	2,780.47	2,635.54	2,495.68	2,353.86	2,238.56	2,121.28	2,008.94	1,901.45
08/01/2007	3,172.90	2,999.37	2,846.51	2,698.79	2,556.20	2,411.76	2,293.75	2,173.89	2,059.07	1,949.18
02/01/2008	3,245.88	3,069.86	2,914.11	2,763.56	2,618.19	2,471.09	2,350.29	2,227.80	2,110.44	1,998.10
08/01/2008	3,320.53	3,142.01	2,983.32	2,829.89	2,681.68	2,531.88	2,408.22	2,283.05	2,163.10	2,048.25
02/01/2009	3,396.91	3,215.85	3,054.18	2,897.81	2,746.72	2,594.17	2,467.59	2,339.67	2,217.07	2,099.66
08/01/2009	3,475.03	3,291.42	3,126.72	2,967.36	2,813.33	2,657.99	2,528.41	2,397.70	2,272.38	2,152.37
02/01/2010	3,554.96	3,368.77	3,200.98	3,038.57	2,881.55	2,723.37	2,590.74	2,457.16	2,329.08	2,206.39
08/01/2010	3,636.73	3,447.94	3,277.00	3,111.50	2,951.43	2,790.37	2,654.60	2,518.10	2,387.19	2,261.77
02/01/2011	3,720.37	3,528.97	3,354.83	3,186.18	3,023.01	2,859.01	2,720.04	2,580.55	2,446.75	2,318.54
08/01/2011	3,805.94	3,611.90	3,434.51	3,262.64	3,096.32	2,929.35	2,787.09	2,644.54	2,507.80	2,376.74
02/01/2012	3,893.48	3,696.78	3,516.08	3,340.95	3,171.40	3,001.41	2,855.80	2,710.13	2,570.37	2,436.39
08/01/2012	3,983.03	3,783.66	3,599.59	3,421.13	3,248.31	3,075.25	2,926.19	2,777.34	2,634.50	2,497.55
02/01/2013	4,074.64	3,872.58	3,685.08	3,503.24	3,327.09	3,150.90	2,998.33	2,846.22	2,700.23	2,560.24
08/01/2013	4,168.35	3,963.59	3,772.60	3,587.32	3,407.77	3,228.41	3,072.24	2,916.81	2,767.60	2,624.50
02/01/2014	4,264.23	4,056.74	3,862.20	3,673.41	3,490.41	3,307.83	3,147.97	2,989.14	2,836.65	2,690.37
08/01/2014	4,362.30	4,152.07	3,953.93	3,761.58	3,575.05	3,389.21	3,225.57	3,063.27	2,907.43	2,757.90
02/01/2015	4,462.64	4,249.65	4,047.84	3,851.85	3,661.75	3,472.58	3,305.08	3,139.24	2,979.97	2,827.13
08/01/2015	4,565.28	4,349.52	4,143.98	3,944.30	3,750.55	3,558.01	3,386.55	3,217.10	3,054.32	2,898.09
02/01/2016	4,670.28	4,451.73	4,242.40	4,038.96	3,841.50	3,645.54	3,470.03	3,296.88	3,130.53	2,970.83
08/01/2016	4,777.70	4,556.35	4,343.16	4,135.90	3,934.66	3,735.22	3,555.57	3,378.65	3,208.63	3,045.40
02/01/2017	4,887.59	4,663.43	4,446.31	4,235.16	4,030.08	3,827.11	3,643.22	3,462.44	3,288.69	3,121.84
08/01/2017	5,000.00	4,773.02	4,551.91	4,336.81	4,127.81	3,921.25	3,733.02	3,548.31	3,370.74	3,200.20
02/01/2018	–	4,885.19	4,660.02	4,440.89	4,227.92	4,017.72	3,825.04	3,636.31	3,454.84	3,280.52
08/01/2018	–	5,000.00	4,770.70	4,547.47	4,330.45	4,116.56	3,919.33	3,726.49	3,541.04	3,362.86
02/01/2019	–	–	4,884.00	4,656.61	4,435.46	4,217.82	4,015.95	3,818.90	3,629.39	3,447.27
08/01/2019	–	–	5,000.00	4,768.37	4,543.02	4,321.58	4,114.94	3,913.61	3,719.95	3,533.80
02/01/2020	–	–	–	4,882.81	4,653.20	4,427.90	4,216.38	4,010.67	3,812.76	3,622.50
08/01/2020	–	–	–	5,000.00	4,766.04	4,536.82	4,320.31	4,110.14	3,907.89	3,713.42
02/01/2021	–	–	–	–	4,881.62	4,648.43	4,426.81	4,212.07	4,005.39	3,806.63
08/01/2021	–	–	–	–	5,000.00	4,762.79	4,535.94	4,316.53	4,105.33	3,902.18
02/01/2022	–	–	–	–	–	4,879.95	4,647.75	4,423.58	4,207.76	4,000.12
08/01/2022	–	–	–	–	–	5,000.00	4,762.32	4,533.29	4,312.74	4,100.53
02/01/2023	–	–	–	–	–	–	4,879.71	4,645.71	4,420.34	4,203.45
08/01/2023	–	–	–	–	–	–	5,000.00	4,760.93	4,530.63	4,308.96
02/01/2024	–	–	–	–	–	–	–	4,879.00	4,643.67	4,417.11
08/01/2024	–	–	–	–	–	–	–	5,000.00	4,759.53	4,527.98
02/01/2025	–	–	–	–	–	–	–	–	4,878.29	4,641.64
08/01/2025	–	–	–	–	–	–	–	–	5,000.00	4,758.14
02/01/2026	–	–	–	–	–	–	–	–	–	4,877.57
08/01/2026	–	–	–	–	–	–	–	–	–	5,000.00
02/01/2027	–	–	–	–	–	–	–	–	–	–
08/01/2027	–	–	–	–	–	–	–	–	–	–
02/01/2028	–	–	–	–	–	–	–	–	–	–
08/01/2028	–	–	–	–	–	–	–	–	–	–
02/01/2029	–	–	–	–	–	–	–	–	–	–
08/01/2029	–	–	–	–	–	–	–	–	–	–
02/01/2030	–	–	–	–	–	–	–	–	–	–
08/01/2030	–	–	–	–	–	–	–	–	–	–
02/01/2031	–	–	–	–	–	–	–	–	–	–
08/01/2031	–	–	–	–	–	–	–	–	–	–
02/01/2032	–	–	–	–	–	–	–	–	–	–
08/01/2032	–	–	–	–	–	–	–	–	–	–
02/01/2033	–	–	–	–	–	–	–	–	–	–
08/01/2033	–	–	–	–	–	–	–	–	–	–
02/01/2034	–	–	–	–	–	–	–	–	–	–
08/01/2034	–	–	–	–	–	–	–	–	–	–

DATE	08/01/2027 @ 5.0500413%	08/01/2028 @ 5.0801287%	08/01/2029 @ 5.1100529%	08/01/2030 @ 5.1401437%	08/01/2031 @ 5.1700147%	08/01/2032 @ 5.2000069%	08/01/2033 @ 5.2300297%	08/01/2034 @ 5.2601468%
12/13/2005	1,699.80	1,606.40	1,517.30	1,432.25	1,351.25	1,274.05	1,200.55	1,130.60
02/01/2006	1,711.14	1,617.18	1,527.54	1,441.97	1,360.48	1,282.80	1,208.84	1,138.45
08/01/2006	1,754.35	1,658.26	1,566.57	1,479.03	1,395.65	1,316.15	1,240.45	1,168.40
02/01/2007	1,798.65	1,700.38	1,606.60	1,517.05	1,431.72	1,350.37	1,272.89	1,199.13
08/01/2007	1,844.06	1,743.57	1,647.65	1,556.04	1,468.73	1,385.48	1,306.18	1,230.66
02/01/2008	1,890.62	1,787.86	1,689.74	1,596.03	1,506.70	1,421.51	1,340.34	1,263.03
08/01/2008	1,938.36	1,833.27	1,732.92	1,637.05	1,545.65	1,458.46	1,375.39	1,296.25
02/01/2009	1,987.31	1,879.84	1,777.19	1,679.12	1,585.60	1,496.39	1,411.35	1,330.34
08/01/2009	2,037.49	1,927.59	1,822.60	1,722.27	1,626.59	1,535.29	1,448.26	1,365.33
02/01/2010	2,088.93	1,976.55	1,869.17	1,766.54	1,668.64	1,575.21	1,486.13	1,401.24
08/01/2010	2,141.68	2,026.75	1,916.93	1,811.94	1,711.77	1,616.16	1,524.99	1,438.09
02/01/2011	2,195.76	2,078.23	1,965.91	1,858.51	1,756.02	1,658.18	1,564.87	1,475.92
08/01/2011	2,251.20	2,131.02	2,016.14	1,906.27	1,801.42	1,701.30	1,605.79	1,514.73
02/01/2012	2,308.04	2,185.15	2,067.65	1,955.26	1,847.98	1,745.53	1,647.79	1,554.57
08/01/2012	2,366.32	2,240.66	2,120.48	2,005.52	1,895.75	1,790.92	1,690.88	1,595.46
02/01/2013	2,426.07	2,297.57	2,174.66	2,057.06	1,944.76	1,837.48	1,735.09	1,637.42
08/01/2013	2,487.33	2,355.93	2,230.22	2,109.93	1,995.03	1,885.25	1,780.47	1,680.49
02/01/2014	2,550.14	2,415.77	2,287.20	2,164.15	2,046.60	1,934.27	1,827.02	1,724.68
08/01/2014	2,614.53	2,477.13	2,345.64	2,219.77	2,099.51	1,984.56	1,874.80	1,770.05
02/01/2015	2,680.55	2,540.06	2,405.57	2,276.82	2,153.78	2,036.16	1,923.83	1,816.60
08/01/2015	2,748.23	2,604.57	2,467.04	2,335.34	2,209.46	2,089.10	1,974.14	1,864.38
02/01/2016	2,817.62	2,670.73	2,530.07	2,395.36	2,266.57	2,143.42	2,025.76	1,913.41
08/01/2016	2,888.77	2,738.57	2,594.71	2,456.92	2,325.16	2,199.15	2,078.73	1,963.74
02/01/2017	2,961.71	2,808.13	2,661.01	2,520.07	2,385.27	2,256.32	2,133.09	2,015.38
08/01/2017	3,036.50	2,879.46	2,729.00	2,584.84	2,446.93	2,314.99	2,188.87	2,068.39
02/01/2018	3,113.17	2,952.60	2,798.72	2,651.27	2,510.18	2,375.18	2,246.11	2,122.79
08/01/2018	3,191.78	3,027.60	2,870.23	2,719.41	2,575.07	2,436.93	2,304.85	2,178.62
02/01/2019	3,272.37	3,104.50	2,943.57	2,789.30	2,641.63	2,500.29	2,365.12	2,235.92
08/01/2019	3,355.00	3,183.36	3,018.78	2,860.98	2,709.92	2,565.30	2,426.97	2,294.73
02/01/2020	3,439.71	3,264.22	3,095.91	2,934.51	2,779.97	2,632.00	2,490.44	2,355.08
08/01/2020	3,526.56	3,347.13	3,175.01	3,009.93	2,851.83	2,700.43	2,555.56	2,417.02
02/01/2021	3,615.61	3,432.15	3,256.13	3,087.29	2,925.55	2,770.64	2,622.39	2,480.59
08/01/2021	3,706.91	3,519.33	3,339.33	3,166.64	3,001.18	2,842.68	2,690.97	2,545.83
02/01/2022	3,800.51	3,608.72	3,424.65	3,248.02	3,078.76	2,916.59	2,761.33	2,612.79
08/01/2022	3,896.47	3,700.39	3,512.15	3,331.50	3,158.35	2,992.42	2,833.54	2,681.51
02/01/2023	3,994.86	3,794.38	3,601.88	3,417.12	3,239.99	3,070.22	2,907.64	2,752.03
08/01/2023	4,095.73	3,890.76	3,693.91	3,504.94	3,323.75	3,150.05	2,983.68	2,824.41
02/01/2024	4,199.15	3,989.59	3,788.29	3,595.02	3,409.66	3,231.95	3,061.70	2,898.70
08/01/2024	4,305.18	4,090.92	3,885.08	3,687.42	3,497.80	3,315.98	3,141.76	2,974.93
02/01/2025	4,413.88	4,194.84	3,984.35	3,782.18	3,588.22	3,402.20	3,223.92	3,053.18
08/01/2025	4,525.33	4,301.39	4,086.15	3,879.39	3,680.98	3,490.65	3,308.23	3,133.48
02/01/2026	4,639.60	4,410.64	4,190.55	3,979.09	3,776.13	3,581.41	3,394.74	3,215.89
08/01/2026	4,756.75	4,522.68	4,297.62	4,081.36	3,873.75	3,674.53	3,483.51	3,300.47
02/01/2027	4,876.86	4,637.56	4,407.43	4,186.25	3,973.88	3,770.07	3,574.61	3,387.27
08/01/2027	5,000.00	4,755.35	4,520.04	4,293.84	4,076.61	3,868.09	3,668.08	3,476.36
02/01/2028	–	4,876.14	4,635.53	4,404.20	4,181.99	3,968.66	3,764.00	3,567.79
08/01/2028	–	5,000.00	4,753.97	4,517.39	4,290.09	4,071.84	3,862.43	3,661.63
02/01/2029	–	–	4,875.43	4,633.49	4,400.99	4,177.71	3,963.44	3,757.93
08/01/2029	–	–	5,000.00	4,752.57	4,514.76	4,286.33	4,067.08	3,856.77
02/01/2030	–	–	–	4,874.72	4,631.46	4,397.78	4,173.43	3,958.20
08/01/2030	–	–	–	5,000.00	4,751.19	4,512.12	4,282.57	4,062.31
02/01/2031	–	–	–	–	4,874.01	4,629.43	4,394.56	4,169.15
08/01/2031	–	–	–	–	5,000.00	4,749.80	4,509.48	4,278.80
02/01/2032	–	–	–	–	–	4,873.29	4,627.40	4,391.34
08/01/2032	–	–	–	–	–	5,000.00	4,748.41	4,506.83
02/01/2033	–	–	–	–	–	–	4,872.58	4,625.37
08/01/2033	–	–	–	–	–	–	5,000.00	4,747.02
02/01/2034	–	–	–	–	–	–	–	4,871.87
08/01/2034	–	–	–	–	–	–	–	5,000.00

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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Exhibit A

FGIC

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

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

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

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Municipal Bond
New Issue Insurance Policy

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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

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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 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

FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
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Mandatory California State Amendatory Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number:	**Control Number:** 0010001

SPECIMEN

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

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

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Mandatory California State Amendatory Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

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

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Endorsement

To Financial Guaranty Insurance Company Insurance Policy

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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.

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