NEW ISSUE **OFFICIAL STATEMENT** **RATING**
BOOK-ENTRY ONLY **S&P (Insured): AAA**
(See "RATING" herein)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, under existing law, the interest on the Bonds is excludable from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal individual and corporate alternative minimum taxes; although it is includable in determining certain income and earnings in computing the alternative minimum tax imposed on certain corporations, subject, however to certain qualifications described herein. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$13,000,000
POMONA UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS
2002 ELECTION, SERIES E

Dated: Date of Delivery **Due: August 1, as shown below**

The Bonds are being issued to finance the repair, construction, acquisition and equipping of new and existing schools throughout the District. See "THE BONDS - The Purpose of the Issue." The Bonds are general obligations of the Pomona Unified School District, and the Board of Supervisors of Los Angeles County is empowered and is obligated to levy ad valorem taxes, without limitation of rate or amount, for the payment of interest on and principal of the Bonds, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). To the extent more fully described herein, the Bonds are legal investments for commercial banks in the State of California and are eligible to secure deposits of public moneys in the State of California.

Interest on the Bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2007. The Bonds will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interests in the Bonds will be in denominations of $5,000 or any integral multiple thereof. Beneficial owners of the Bonds will not receive physical certificates representing their interests in the Bonds, but will receive a credit balance on the books of the nominees for such beneficial owners. The principal of and interest on the Bonds will be paid from District funds by the Los Angeles County Treasurer and Tax Collector, the designated Paying Agent (the "Paying Agent"), to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS - Book-Entry Only System." **The Bonds are subject to redemption prior to their stated maturities as described herein. See "THE BONDS - Redemption."**

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by CIFG Assurance North America, Inc.

CIFG
IXIS FINANCIAL GUARANTY

MATURITY SCHEDULE
Base CUSIP[1] 732096

Maturity August 1,	Principal Amount ($)	Coupon Rate	Yield/ Price	CUSIP[1]	Maturity August 1,	Principal Amount ($)	Coupon Rate	Yield/ Price	CUSIP[1]
2007	310,000	8.000%	3.450%	5N 8	2018	375,000	3.750%	3.800%	5Z 1
2008	195,000	8.000	3.450	5P 3	2019	390,000	3.800	3.850	6A 5
2009	215,000	8.000	3.500	5Q 1	2020	410,000	3.900	100.000	6B 3
2010	230,000	8.000	3.500	5R 9	2021	425,000	4.000	100.000	6C 1
2011	250,000	8.000	3.550	5S 7	2022	445,000	4.000	100.000	6D 9
2012	270,000	8.000	3.600	5T 5	2023	460,000	4.100	100.000	6E 7
2013	290,000	8.000	3.650	5U 2	2024	480,000	4.100	4.150	6F 4
2014	315,000	7.600	3.700	5V 0	2025	505,000	4.125	4.200	6G 2
2015	335,000	6.750	3.750	5W 8	2026	525,000	4.250	100.000	6H 0
2016	350,000	4.100	3.680	5X 6	2027	545,000	4.250	4.286	6J 6
2017	360,000	3.750	100.000	5Y 4					

$2,435,000 4.375% Term Bond due August 1, 2031 (Price 100.000) (CUSIP 732096 6N 7)
$2,885,000 4.375% Term Bond due August 1, 2035 (Yield 4.420%) (CUSIP 732096 6S 6)

The Bonds were sold by competitive bid on October 3 and awarded within 24 hours as set forth in the Official Notice of Sale adopted by the Board of Education of Pomona Unified School District on July 25, 2006. The Bonds will be issued when, as and if issued and received by the Underwriter, subject to the approval of legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York on or about October 18, 2006.

This Official Statement is dated October 3, 2006.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. 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. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District since the date hereof.

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

Involvement of Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. All summaries of the District Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price 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 others at prices lower than the public offering prices set forth 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 UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

POMONA UNIFIED SCHOOL DISTRICT
COUNTY OF LOS ANGELES
STATE OF CALIFORNIA

District Board of Education

Nancy J. McCracken, President
John J. Avila, Vice President
Candelario J. Mendoza, Member
Richard L. Rodriguez, Member
Andrew S. Wong, Member

District Administrative Staff

Dr. Thelma Melendez de Santa Ana, Superintendent
Pamela J. Lopez, Assistant Superintendent of Business Services, Chief Financial Officer

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PROFESSIONAL SERVICES

Financial Advisor

Dale Scott & Company
400 Montgomery Street, Suite 805
San Francisco, California 94104

Bond Counsel

Jones Hall
A Professional Law Corporation
650 California Street, 18th Floor
San Francisco, California 94108

Paying Agent

Treasurer and Tax Collector of the County of Los Angeles
500 West Temple Street, Room 432
Los Angeles, California 90012

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OFFICIAL STATEMENT

$13,000,000
POMONA UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS
2002 ELECTION, SERIES E

INTRODUCTION

The $13,000,000 principal amount of Pomona Unified School District (County of Los Angeles, California) General Obligation Bonds, 2002 Election, Series E (the "Bonds") represents the sale of a portion of the Bonds approved by more than 55% of the voters casting ballots at an election held in the Pomona Unified School District (the "District") on March 5, 2002. The Bonds are general obligations of the District to be issued under a resolution of the Board of Education of the District adopted on July 25, 2006 (the "District Resolution"). Proceeds from the sale of the Bonds will be used to finance the repair, construction, acquisition and equipping of new classrooms and school facilities throughout the District.

THE BONDS

Authority for Issuance

The $13,000,000 principal amount of Bonds of the District are general obligation bonds to be issued under provisions of Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the State of California Government Code, commencing with Section 53506, and pursuant to the District Resolution. The Bonds are the fifth and final series of an authorization of $68,000,000 approved by District voters on March 5, 2002. The Pomona Unified School District General Obligation Bonds, 2002 Election, Series A was issued in the amount of $10,000,000 in June 2002. The Pomona Unified School District General Obligation Bonds, 2002 Election, Series B was issued in the amount of $15,000,000 in May 2003. The Pomona Unified School District General Obligation Bonds, 2002 Election, Series C was issued in the amount of $15,000,000 in May 2004. The Pomona Unified School District General Obligation Bonds, 2002 Election, Series D was issued in the amount of $15,000,000 in June 2005. After the issuance of the Bonds, the District will have no authorized but unissued bonds.

Terms of Sale

The Bonds were sold at public sale pursuant to the terms of sale contained in the Official Notice of Sale adopted by the Board of Education of the District on July 25, 2006.

Description of the Bonds

The Bonds will be dated the date of delivery and will be issued in registered form in denominations of $5,000 or any integral multiple thereof, provided that no Bond shall have principal maturing on more than one maturity date. The Bonds will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Beneficial owners of the Bonds will not receive physical certificates representing their interests in the Bonds, but will receive a credit balance on the books of the nominees for such beneficial owners. The principal of and interest on the Bonds will be paid by the Los Angeles County Treasurer and Tax Collector, the designated Paying Agent (the "Paying Agent"), to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. As long as Cede & Co. is the registered owner of the Bonds, principal and interest on the Bonds are payable by wire transfer with same-day funds transferred by the Paying Agent to Cede & Co., as nominee for DTC, which will in turn remit such amounts to DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners. As long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners shall mean Cede & Co. as aforesaid and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "THE BONDS - Book - Entry Only System."

Interest on the Bonds is payable to the Bond Owners on February 1, 2007 and on each succeeding February 1 and August 1 (the "Interest Payment Dates") at the Bond Owners' addresses appearing on the bond registration books maintained by the Paying Agent as of the close of business on the 15th calendar day of the month immediately preceding each Interest Payment Date (each, a "Record Date"). Principal of and premium (if any) on the Bonds is payable upon presentation and surrender of the Bonds at the office of the Paying Agent in Los Angeles, California. The Bonds will mature on August 1, in the years and amounts set forth in the following maturity schedule.

EXHIBIT 1
SCHEDULE OF MATURITIES
POMONA UNIFIED SCHOOL DISTRICT

Maturity August 1,	Principal Amount ($)	Coupon Rate	Yield/ Price	Maturity August 1,	Principal Amount ($)	Coupon Rate	Yield/ Price
2007	310,000	8.000%	3.450%	2018	375,000	3.750%	3.800%
2008	195,000	8.000	3.450	2019	390,000	3.800	3.850
2009	215,000	8.000	3.500	2020	410,000	3.900	100.000
2010	230,000	8.000	3.500	2021	425,000	4.000	100.000
2011	250,000	8.000	3.550	2022	445,000	4.000	100.000
2012	270,000	8.000	3.600	2023	460,000	4.100	100.000
2013	290,000	8.000	3.650	2024	480,000	4.100	4.150
2014	315,000	7.600	3.700	2025	505,000	4.125	4.200
2015	335,000	6.750	3.750	2026	525,000	4.250	100.000
2016	350,000	4.100	3.680	2027	545,000	4.250	4.286
2017	360,000	3.750	100.000				

$2,435,000 4.375% Term Bond due August 1, 2031 (Price 100.000) (CUSIP 732096 6N 7)
$2,885,000 4.375% Term Bond due August 1, 2035 (Yield 4.420%) (CUSIP 732096 6S 6)

Book-Entry Only System

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Transfer and Exchange

Any Bond may, in accordance with its terms, be transferred by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent in Los Angeles, California, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent. Bonds may be exchanged at the office of the Paying Agent in Los Angeles, California, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate. The Paying Agent is not required to exchange or transfer any Bonds during the period established by the Paying Agent for the selection of Bonds for redemption, and the Paying Agent shall not be required to transfer or exchange any Bond selected for redemption in whole or in part. The Paying Agent may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The foregoing provisions of this paragraph are not applicable to the Bonds so long as the Bonds are maintained in the book-entry system of DTC as described above. Transfers and exchanges of ownership interests in the Bonds will be governed by the rules of DTC as described above so long as the Bonds are maintained in book-entry form.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2014 are not subject to optional redemption. The Bonds maturing on or after August 1, 2015 are subject to redemption at the option of the District, as a whole or in part on such basis as shall be designed by the District and by lot within a maturity, from any source of available funds, on any Interest Payment Date on or after August 1, 2014 at the following prices, expressed as a percentage of the principal amount to be redeemed, plus accrued interest thereon to the redemption date:

Redemption Dates	Redemption Price
August 1, 2014 and February 1, 2015	102.0%
August 1, 2015 and February 1, 2016	101.0
August 1, 2016 and thereafter	100.0

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1 in each of the years 2031, and 2035 are subject to mandatory sinking fund redemption in part by lot, on August 1 of each year as shown in the following table, at a redemption price equal to the principal amount of such Bonds to be redeemed, plus accrued but unpaid interest, without premium.

Sinking Fund Redemption Date (August 1)	**Principal Amount To Be Redeemed**
2028	$ 570,000
2029	595,000
2030	620,000
2031 (Maturity)	650,000
Total	$2,435,000
2032	$ 675,000
2033	705,000
2034	735,000
2035 (Maturity)	770,000
Total	$2,885,000

Selection of Bonds for Redemption. Whenever less than all of the outstanding Bonds of any one maturity are to be redeemed, the Paying Agent shall select the Bonds of such maturity to be redeemed by lot, and the Paying Agent shall promptly notify the District in writing of the numbers of the Bonds so selected for redemption on such date. For purposes of such selection, Bonds shall be deemed to be composed of $5,000 multiples and any such multiple may be separately redeemed.

Notice of Redemption. Notice of redemption shall be mailed, first class postage prepaid, to the respective Owners of any Bonds designated for redemption at their address appearing on the books required to be kept by the Paying Agent, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, which notice shall, in the case of each Bond called for redemption in part only, state the amount of the principal amount thereof which is to be redeemed. Each notice of redemption shall also state the redemption date, the redemption place, and the redemption price, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, have been called for redemption, and shall require that such Bonds be then surrendered for redemption; and shall also state that the interest on the Bonds designated for redemption shall cease to accrue from and after such redemption date and that on such redemption date there will become due and payable on each of the Bonds designated for redemption the redemption price thereof.

Neither the failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds or the cessation of accrual of interest thereon from and after the redemption date.

So long as the Bonds are maintained in the book-entry system of DTC as described above, notice of redemption will be given to DTC as the registered owner of the Bonds, and DTC will in turn give notice to the Participants in accordance with the rules of DTC.

Payment

Principal (or redemption price) of any Bond is payable upon surrender of such Bond in lawful money of the United States of America at the office of the Paying Agent. Interest on any Bond is payable in like lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered owner thereof as of the close of business on the Record Date immediately preceding an Interest Payment Date, whether or not such day is a business day. Such interest will be paid by check mailed to each Bond owner at the owner's address as it appears on the registration books maintained by the Paying Agent, or upon written request of the owner of Bonds aggregating not less than $1,000,000 in principal amount, such request having been made before the Record Date immediately preceding an Interest Payment Date, by wire transfer in immediately available funds at an account maintained in the United States at such wire address as such owner specifies in its written notice. However, as long as Bonds are held in book-entry form only, interest payments will be made by the Paying Agent in immediately payable funds to DTC, which will remit such payments to the beneficial owners of the Bonds as described above.

Legal Opinion

Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, will render its opinion approving the validity of the Bonds upon the original issuance of the Bonds, and the original purchase of the Bonds and all owners of the Bonds will be entitled to rely on the opinion. The proposed form of the legal opinion of Bond Counsel is attached hereto as Appendix B.

The statements of law and legal conclusions set forth herein under the section entitled "THE BONDS," except the material under the headings "Annual Debt Service" and "Book-Entry Only System," have been reviewed by Bond Counsel. Bond Counsel's employment is limited to a review of the legal proceedings required for authorization of the Bonds and to rendering an opinion as to the validity of the Bonds and the exclusion from gross income for federal income tax purposes of interest on the Bonds. The opinion of Bond Counsel will not consider or extend to any documents, agreements, representations, offering circulars, or other material of any kind concerning the Bonds not mentioned in this paragraph. Bond Counsel has undertaken no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and expresses no opinion relating thereto.

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the District, and the Board of Supervisors of the County of Los Angeles, California (the "County") has the power and is obligated to levy *ad valorem* taxes for payment of both principal and interest of the Bonds upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), without limitation of rate or amount.

The principal of and interest and redemption premium (if any) on the Bonds do not constitute a debt of the County, the State of California, or any of its political subdivisions other than the District, or any of the officers, agents or employees thereof. Neither the County, the State of California, any of its political subdivisions, nor any of the officers, agents or employees thereof are liable on the Bonds. In no event are the principal of and interest and redemption premium (if any) on the Bonds payable out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District.

The Bond Insurer

CIFG Assurance North America, Inc. The information set forth in the following paragraphs has been provided by CIFG Assurance North America, Inc. ("CIFG" or the "Insurer") for inclusion in this Official Statement. CIFG does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding CIFG set forth under the heading "The Bond Insurer". CIFG makes no representation regarding the Bonds or the advisability of investing in the Bonds.

General CIFG is a monoline financial guaranty insurance company incorporated under the laws of the State of New York. The address of the principal executive offices of the Insurer is 825 Third Avenue, Sixth Floor, New York, New York 10022; its toll-free telephone number is (866) CIFG-212 and its general telephone number is (212) 909-3939 and its website is located at www.cifg.com.

The Insurer is a member of the CIFG Group of financial guaranty companies, which also includes CIFG Europe, a French insurance company licensed to do business in the European Union, and CIFG Guaranty, a dedicated French reinsurance corporation. In addition to its capital and surplus as set forth below, the Insurer is supported by a net worth maintenance agreement from CIFG Guaranty, which provides that CIFG Guaranty will maintain the Insurer's New York statutory capital and surplus at no less than $80 million, and may cede a substantial portion (not to exceed 90%) of its exposure on each transaction to CIFG Guaranty through a facultative reinsurance agreement.

Each of the Insurer, CIFG Europe and CIFG Guaranty has received an insurer financial strength rating of "AAA" from Fitch, an insurer financial strength rating of "Aaa" from Moody's, and an insurer financial enhancement rating of "AAA" from Standard and Poor's, the highest rating assigned by each rating agency. Each such rating should be evaluated independently. The ratings reflect the respective rating agency's current assessment of each company's capacity to pay claims on a timely basis and are not recommendations to buy, sell or hold the Bonds. Such ratings may be subject to revision or withdrawal at any time.

The Insurer is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York, its state of domicile, and is licensed to do business in 47 jurisdictions. The Insurer is subject to Article 69 of the New York Insurance Law which, among other things, limits the business of such insurers to financial guaranty insurance and related lines, requires that such insurers maintain a minimum surplus to policyholders, establishes contingency, loss and unearned premium reserve requirements for such insurers, and limits the size of individual transactions and the volume of transactions that may be underwritten by such insurers. Other provisions of the New York Insurance Law applicable to non-life insurance companies such as the Insurer regulate, among other things, permitted investments, payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

Capitalization. The following tables set forth the capitalization of the Insurer on the basis of accounting principles generally accepted in the United States ("US GAAP") and statutory accounting practices prescribed or permitted by the New York State Insurance Department, respectively.

	US GAAP June 30, 2006 (in thousands of US dollars)	**US GAAP December 31, 2005 (in thousands of US dollars)**
Total Assets....................	$349,385	$ 324,134
Total Liabilities..............	$229,913	$ 202,042
Shareholder's Equity ...	$119,472	$ 122,092

	Statutory Accounting Principles June 30, 2006 (in thousands of US dollars)	**Statutory Accounting Practices December 31, 2005 (in thousands of US dollars)**
Admitted Assets	$177,546	$ 175,333
Liabilities	$70,845	$ 66,758
Capital and Surplus	$106,701	$ 108,575

The following table sets forth the capitalization of CIFG Guaranty on the basis of US GAAP.

	US GAAP December 31, 2005	
	(in thousands of euros)	(in thousands of US dollars) (1)
Assets	€ 736,208	$ 871,634
Liabilities	€ 196,794	$ 232,995
Shareholder's Equity	€ 539,414	$ 638,639

(1) The translation of euros into dollars is presented solely for the convenience of the reader, using the observed exchange rate at December 31, 2005 of $1.18395 to €1.00. The convenience translation should not be construed as representation that the euro amounts have been, could have been, or in the future could be, converted into U.S. Dollars at this or any rate of exchange.

For further information concerning the Insurer and CIFG Guaranty, see the audited financial statements of both companies, including the respective notes thereto, prepared in accordance with US GAAP as of December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005, and the unaudited interim financial statements of the Insurer as of June 30, 2006 and for the six-month period ended June 30, 2006, which are available on the CIFG Group's website at www.cifg.com. Copies of the most recent audited annual and unaudited interim financial statements of the Insurer prepared in accordance with accounting principles prescribed or permitted by the New York State Insurance Department, are also available on the website and may be obtained, without charge, upon request to the Insurer at its address above, Attention: Finance Department.

Annual Debt Service

Exhibit 2 below presents a schedule of the annual debt service for the Bonds.

EXHIBIT 2
ANNUAL DEBT SERVICE SCHEDULE
2002 ELECTION, SERIES E BONDS
POMONA UNIFIED SCHOOL DISTRICT

Fiscal Year Ending June 30	Principal Serial ($)	Interest ($)	Total ($)
2007	0	180,957.05	180,957.05
2008	310,000	620,071.25	930,071.25
2009	195,000	599,871.25	794,871.25
2010	215,000	583,471.25	798,471.25
2011	230,000	565,671.25	795,671.25
2012	250,000	546,471.25	796,471.25
2013	270,000	525,671.25	795,671.25
2014	290,000	503,271.25	793,271.25
2015	315,000	479,701.25	794,701.25
2016	335,000	456,425.00	791,425.00
2017	350,000	437,943.75	787,943.75
2018	360,000	424,018.75	784,018.75
2019	375,000	410,237.50	785,237.50
2020	390,000	395,796.25	785,796.25
2021	410,000	380,391.25	790,391.25
2022	425,000	363,896.25	788,896.25
2023	445,000	346,496.25	791,496.25
2024	460,000	328,166.25	788,166.25
2025	480,000	308,896.25	788,896.25
2026	505,000	288,640.63	793,640.63
2027	525,000	267,068.75	792,068.75
2028	545,000	244,331.25	789,331.25
2029	570,000	220,281.25	790,281.25
2030	595,000	194,796.88	789,796.88
2031	620,000	168,218.75	788,218.75
2032	650,000	140,437.50	790,437.50
2033	675,000	111,453.13	786,453.13
2034	705,000	81,265.63	786,265.63
2035	735,000	49,765.63	784,765.63
2036	770,000	16,843.75	786,843.75
Total	13,000,000	10,240,527.68*	23,240,527.68*

* Total may not add due to rounding.

Exhibit 3A below presents the combined debt service schedules for the previously issued General Obligation Refunding Bonds Series 1997A, the General Obligation Refunding Bonds 2000 Series A, the 1998 Election Series D, and the General Obligation Refunding Bonds 2001 Series A.

EXHIBIT 3A
ANNUAL DEBT SERVICE SCHEDULE
REFUNDING BONDS FOR 1991 AND 1998 ELECTION BONDS
AND ELECTION 1998 SERIES D BONDS
POMONA UNIFIED SCHOOL DISTRICT

Fiscal Year Ending June 30	Refunding 1997 Series A ($)	Refunding 2000 Series A ($)	Election 1998 Series D ($)	Refunding 2001 Series A ($)	Total ($)
2007	4,480,292.50	1,618,300.00	659,956.25	1,795,817.50	8,554,366.25
2008	4,618,570.00	1,625,126.25	656,656.25	1,802,577.50	8,702,930.00
2009	4,785,140.00	1,620,110.00	652,596.25	1,801,872.50	8,859,718.75
2010	4,960,900.00	1,628,525.00	650,776.25	1,814,030.00	9,054,231.25
2011	5,109,465.00	1,615,045.00	656,231.25	1,807,858.75	9,188,600.00
2012	5,252,463.75	1,629,792.50	656,111.25	1,829,025.00	9,367,392.50
2013	5,387,755.00	1,621,817.50	655,413.75	1,830,743.75	9,495,730.00
2014	5,540,906.25	1,631,942.50	658,953.75	1,839,082.50	9,670,885.00
2015	5,704,303.75	1,624,331.25	656,776.25	1,848,393.75	9,833,805.00
2016	5,545,333.75	1,644,175.00	658,798.75	1,843,702.50	9,692,010.00
2017	4,685,537.50	1,630,915.00	659,811.25	1,845,882.50	8,822,146.25
2018	2,709,562.50	1,630,240.00	659,936.25	1,859,037.50	6,858,776.25
2019	966,062.50	1,635,413.75	664,023.75	1,851,655.00	5,117,155.00
2020	278,775.00	1,637,040.00	666,895.63	1,854,715.00	4,437,425.63
2021	0.00	1,639,957.50	663,695.00	1,853,465.00	4,157,117.50
2022	0.00	1,649,005.00	664,455.00	1,182,025.00	3,495,485.00
2023	0.00	1,648,537.50	668,943.75	1,060,666.25	3,378,147.50
2024	0.00	1,647,952.50	667,156.25	1,060,691.25	3,375,800.00
2025	0.00	1,647,463.75	669,187.50	1,073,102.50	3,389,753.75
2026	0.00	1,652,062.50	669,906.25	1,072,285.00	3,394,253.75
2027	0.00	1,461,093.75	669,312.50	1,093,546.25	3,223,952.50
2028	0.00	1,375,452.50	667,406.25	1,075,502.50	3,118,361.25
2029	0.00	1,327,027.50	673,925.00	1,075,152.50	3,076,105.00
2030	0.00	660,960.00	678,606.25	1,091,573.75	2,431,140.00
2031	0.00	0.00	676,581.25	118,536.25	795,117.50
2032	0.00	0.00	687,587.50	0.00	687,587.50
	60,025,067.50	37,502,286.25	17,269,699.38	37,380,940.00	152,177,993.13

Exhibit 3B below presents the combined debt service schedules for the previously issued General Obligation Bonds 2002 Election Series A, Series B, Series C, Series D Bonds and for the Bonds.

EXHIBIT 3B
ANNUAL DEBT SERVICE SCHEDULE
2002 ELECTION BONDS
POMONA UNIFIED SCHOOL DISTRICT

Fiscal Year Ending June 30	Election 2002 Series A ($)	Election 2002 Series B ($)	Election 2002 Series C ($)	Election 2002 Series D ($)	Election 2002 Series E ($)	Total ($)
2007	677,236.25	1,003,588.75	1,030,825.00	930,950.00	180,957.05	3,823,557.05
2008	680,867.50	1,011,026.25	1,020,725.00	1,009,275.00	930,071.25	4,651,965.00
2009	678,967.50	1,017,863.75	1,034,925.00	994,093.75	794,871.25	4,520,721.25
2010	681,536.25	1,007,763.75	1,028,325.00	987,956.25	798,471.25	4,504,052.50
2011	683,467.50	1,000,163.75	1,031,125.00	970,862.50	795,671.25	4,481,290.00
2012	685,008.75	987,663.75	1,052,725.00	965,906.25	796,471.25	4,487,775.00
2013	691,243.75	995,426.25	1,043,325.00	981,471.88	795,671.25	4,507,138.13
2014	691,943.75	1,001,651.25	1,048,225.00	974,934.38	793,271.25	4,510,025.63
2015	696,751.25	1,005,613.75	1,052,125.00	977,890.63	794,701.25	4,527,081.88
2016	700,353.75	1,007,913.75	1,055,025.00	984,750.00	791,425.00	4,539,467.50
2017	702,711.25	1,014,113.75	1,046,762.50	985,150.00	787,943.75	4,536,681.25
2018	703,783.75	1,014,213.75	1,051,837.50	988,885.00	784,018.75	4,542,738.75
2019	703,531.25	1,018,213.75	1,050,222.50	990,951.25	785,237.50	4,548,156.25
2020	706,737.50	1,025,213.75	1,051,940.00	996,332.50	785,796.25	4,566,020.00
2021	708,175.00	1,025,001.25	1,056,560.00	995,232.50	790,391.25	4,575,360.00
2022	708,118.75	1,027,754.38	1,053,928.75	998,032.50	788,896.25	4,576,730.63
2023	711,400.00	1,033,310.00	1,053,878.75	1,003,802.50	791,496.25	4,593,887.50
2024	708,003.13	1,031,700.00	1,056,390.00	1,002,512.50	788,166.25	4,586,771.88
2025	707,875.00	1,033,000.00	1,051,910.00	1,004,857.50	788,896.25	4,586,538.75
2026	705,875.00	1,037,387.50	1,049,750.00	1,005,525.00	793,640.63	4,592,178.13
2027	707,250.00	1,034,259.38	1,059,375.00	1,009,400.00	792,068.75	4,602,353.13
2028	0.00	1,038,471.88	1,061,375.00	1,006,681.25	789,331.25	3,895,859.38
2029	0.00	0.00	1,060,875.00	1,012,262.50	790,281.25	2,863,418.75
2030	0.00	0.00	0.00	1,011,037.50	789,796.88	1,800,834.38
2031	0.00	0.00	0.00	0.00	788,218.75	788,218.75
2032	0.00	0.00	0.00	0.00	790,437.50	790,437.50
2033	0.00	0.00	0.00	0.00	786,453.13	786,453.13
2034	0.00	0.00	0.00	0.00	786,265.63	786,265.63
2035	0.00	0.00	0.00	0.00	784,765.63	784,765.63
2036	0.00	0.00	0.00	0.00	786,843.75	786,843.75
Total	14,640,836.88	22,371,314.38*	24,102,155.00	23,788,753.13*	23,240,527.68*	108,143,587.05*

*Totals may not add due to rounding.

The Purpose of the Issue

The Bonds are being issued in order to finance the repair of existing school facilities and the construction, acquisition and equipping of new classrooms and school facilities, in accordance with the ballot proposition authorizing the issuance of the Bonds.

Discharge of Bonds

The District has the option under the District Resolution of defeasing and discharging the Bonds, at any time, by making a deposit with the Paying Agent in an amount which, when invested in non-callable

Federal Securities, is sufficient to pay the principal of and interest on the Bonds when due, including the premium required to be paid upon any redemption of the Bonds. The District Resolution defines Federal Securities to be United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America. The sufficiency of any such deposit to make such payments is required to be verified by a certified public accountant. Upon making such deposit, the Bonds will be payable solely from the amounts set aside with the Paying Agent, and all other obligations of the District with respect to the security for the Bonds will cease and terminate.

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 by not later than 9 months following the end of the District's fiscal year (which currently would be March 31), commencing with the report due by March 31, 2007 for the 2005-06 fiscal year (the "Annual Report"), 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, and with the appropriate State of California information depository, if any. The notices of material events will be filed by the District with the Municipal Securities Rulemaking Board (and with the appropriate State of California information depository, 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 S.E.C. Rule 15c2-12(b)(5). The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

THE DISTRICT

General Information

The Pomona Unified School District consists of an area of approximately thirty-two square miles, located thirty miles east of the City of Los Angeles. The District includes primarily the City of Pomona, and small portions of the Cities of Industry and Diamond Bar. During the 2006-07 year, the District will maintain 28 elementary schools, 6 middle schools, 6 high schools, as well as a continuation high school, an adult education program and an alternative education school.

The population within the District is estimated to be 162,000. The District is governed by a five-member board of education elected to four-year terms. The District currently has 1,977 certificated and 1,443 classified employees. Its pupil teacher ratio is 28:1 (K), 19.5:1 (1-2), 30.75:1 (grades 3-6), and 28.5:1 (secondary).

The District's average daily attendance ("ADA") increased gradually from 1994-95 through fiscal year 2003-04 and declined over recent years . The District is projecting that enrollment will continue to decline over the next couple of years. The following exhibit shows the ADA for the years 1994-95 through 2005-06 and as currently estimated for 2006-07.

EXHIBIT 4
AVERAGE DAILY ATTENDANCE
POMONA UNIFIED SCHOOL DISTRICT

Fiscal Year	Elementary Schools (K-6)	Junior High Schools (7&8)	High Schools (9-12)	Total
1994-95	19,307	4,332	5,620	29,259
1995-96	19,611	4,415	5,758	29,784
1996-97	19,972	4,435	5,956	30,363
1997-98	20,195	4,665	6,331	31,191
1998-99 (1)	19,705	4,694	6,420	30,819
1999-00	20,024	4,795	6,883	31,702
2000-01	20,162	4,872	7,309	32,343
2001-02	20,350	5,031	7,269	32,650
2002-03	20,332	5,167	8,158	33,657
2003-04	19,659	5,506	8,360	33,525
2004-05	18,909	6,147	8,450	33,506
2005-06	18,074	5,910	8,127	32,111
2006-07(2)	17,548	4,831	8,258	30,637

(1) Commencing with the 1998-99 fiscal year, ADA is based on actual attendance per SB 727.
(2) Estimate.
Source: Pomona Unified School District.

Employee Relations

Pomona Unified School District employees are represented by two unions. The Associated Pomona Teachers ("APT") represents teachers and the California School Employees Association ("CSEA") represents classified employees. CSEA is currently under an extension of a contract which expired August 31, 2006. The APT contract will expire January 31, 2007 with annual re-openers for salary and benefits. In the opinion of management, employee relations are amiable.

Pension Plans

The District participates in the State of California Teacher's Retirement System ("STRS"). This plan covers basically all full-time certificated employees. The District's contributions to STRS for fiscal years 2002-03 through 2004-05 were $11,338,446, 10,734,346, and $9,832,878, respectively. For fiscal year 2005-06 the estimated contribution is $10,996,073 and for 2006-07 $11,373,133 is budgeted.

The District also participates in the State of California Public Employees' Retirement System ("PERS"). This plan covers all classified personnel who are employed four or more hours per day. The District's contributions to PERS for fiscal years 2002-03 through 2004-05 were $1,128,984, $2,666,300, and $3,647,428, respectively. For fiscal year 2005-06 the estimated contribution is $3,590,772 and for fiscal year 2006-07 $4,197,053 is budgeted. Both STRS and PERS are operated on a statewide basis.

Post-employment Benefits

The District provides post-employment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 15 years of service. As of June 30, 2006, 192 employees met those eligibility requirements. The District contributes 50 percent of the amount of premiums incurred by certificated retirees and their dependents and 100 percent of the amount of premiums for classified retirees and their dependents. During the fiscal year ending June 30, 2006, expenditures of $595,196.43 were recognized for retirees' health care benefits.

An actuarial study has not been performed to determine the accumulated future liability to the District.

DISTRICT DEBT STRUCTURE

Short-Term Borrowing

The District currently has no outstanding short-term debt.

Lease Obligations

Payments on the capital leases will be made by the General and Child Development Funds. The capital leases have minimum lease payments as shown in the following exhibit.

EXHIBIT 5
POMONA UNIFIED SCHOOL DISTRICT
OUTSTANDING CAPITAL LEASE OBLIGATIONS

Year Ending June 30,	Minimum Payment
2006	$353,015
2007	278,289
2008	124,943
2009	75,000
2010	75,000
2011-2015	225,000
Total	1,131,247
Less: Amount Representing Interest	(72,534)
Present Value of Minimum Lease Payments	$1,058,713

Source: Pomona Unified School District

Long-Term Borrowing

The District has never defaulted on the payment of principal or interest on any of its indebtedness.

The following table shows the outstanding lease revenue bonded debt of the District:

Name	Issue Date	Final Maturity	Original Issue Amount	Bonds Outstanding September 1, 2006
2001 LRB	September 20, 2001	2026	$11,225,000	$ 9,970,000
2004 LRB	November 4, 2004	2024	13,250,000	12,475,000
2005 LRB	February 10, 2005	2026	14,335,000	14,335,000

The following table shows the outstanding general obligation bonded debt of the District:

Name	Election/ Series	Issue Date	Final Maturity	Original Issue Amount	Bonds Outstanding September 1, 2006
Refunding 1997 A	1991/ABCDEF	Feb. 5, 1997	2019	$52,085,000	$40,685,000
Refunding 2000 A	1998/AB	Sept. 24, 1999	2029	21,485,000	19,180,000
1998 Elec. Series D	1998/D	Dec. 18, 2000	2031	10,000,000	9,265,000
Refunding 2001 A	1991/G, 1998/C	June 1, 2001	2030	24,105,000	20,765,000
2002 Elec. Series A	2002/A	July 31, 2002	2026	10,000,000	9,025,000
2002 Elec. Series B	2002/B	May 2003	2027	15,000,000	13,965,000
2002 Elec. Series C	2002/C	May 2004	2028	15,000,000	14,405,000
2002 Elec. Series D	2002/D	June 2005	2029	15,000,000	14,710,000
Total				**$147,675,000**	**$142,000,000**

Qualified Zone Academy Bonds. In addition to the foregoing lease revenue bonds, the District has incurred long-term lease obligations on the three Qualified Zone Academy Bond ("QZAB") issues which are described below. QZAB bonds are payable from the general fund of the District which have been fully funded from deposits previously made by the District with the trustees for the bonds.

On November 9, 1999, the Pomona Valley Educational Joint Powers Authority issued its $12,000,000 principal amount of 1999 Lease Revenue Bonds (QZAB) which have one maturity date of November 9, 2011. Concurrent with the issuance of the Bonds, the District made a lease payment which is sufficient, together with investment earnings, to make all payments due with respect to the bonds through maturity.

On June 8, 2000, the Pomona Valley Educational Joint Powers Authority issued its $12,000,000 principal amount of 2000 Lease Revenue Bonds (QZAB) which have one maturity date of June 8, 2012. Concurrent with the issuance of the Bonds, the District made a lease payment which is sufficient, together with investment earnings, to make all payments due with respect to the bonds through maturity.

On November 5, 2002, the Pomona Valley Educational Joint Powers Authority issued its $6,000,000 principal amount of 2002 Qualified Zone Academy Bonds which have one maturity date of November 20, 2017. Concurrent with the issuance of the Bonds, the District made a lease payment which is sufficient, together with investment earnings, to make all payments due with respect to the bonds through maturity.

In December, 2005, the Golden West Schools Financing Authority issued its Private Placement Memorandum for $5,000,000 principal amount of 2005 Qualified Zone Academy Bonds which have one maturity date of December 13, 2020. Concurrent with the issuance of the Bonds, the District has paid amounts pursuant to a Deposit Agreement with Citizens Business Bank sufficient together with the investment earnings, to make all payments due with respect to the bonds through maturity.

Direct and Overlapping Debt. Contained within the District's boundaries 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. The direct and overlapping debt of the District is shown in Exhibit 6. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from the debt statement.

EXHIBIT 6
STATEMENT OF DIRECT AND OVERLAPPING DEBT
POMONA UNIFIED SCHOOL DISTRICT

2006-07 Assessed Valuation:	$10,149,769,546
Redevelopment Incremental Valuation:	2,764,007,124
Adjusted Assessed Valuation:	$7,385,762,422

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable (1)	Debt 9/1/06	
Los Angeles County	0.887%	$ 74,464	
Los Angeles County Flood Control District	0.904	1,155,674	
Metropolitan Water District	0.448	1,745,251	
Mt. San Antonio Community College District	15.339	15,683,490	
Pomona Unified School District	**100.**	**142,000,000**	(2)
City of Industry	2.060	4,077,667	
City of Pomona 1915 Act Bonds	100.	9,481,000	
Los Angeles County Regional Park and Open Space Assessment District	0.887	2,889,048	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$177,106,594	

DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Los Angeles County General Fund Obligations	0.887%	$ 10,923,663	
Los Angeles County Pension Obligations	0.887	6,537,921	
Los Angeles County Superintendent of Schools Certificates of Participation	0.887	175,779	
Los Angeles County Sanitation District No. 21 Authority	26.008	6,559,158	
Pomona Unified School District General Fund Obligations	**100.**	**66,780,000**	
City of Industry General Fund Obligations	2.060	203,631	
City of Pomona General Fund Obligations	95.685	43,505,893	
City of Pomona Pension Obligations	95.685	40,456,272	
City of San Dimas General Fund Obligations	0.074	707	
Walnut Valley Water District Certificates of Participation	23.879	3,594,983	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$178,738,007	
Less: Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina Del Rey)		239,224	
Pomona Unified School District QZABs (100% self-supporting from investment agreement deposits)		**30,000,000**	
Walnut Valley Water District Authority and Certificates of Participation		3,594,983	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$144,903,800	
GROSS COMBINED TOTAL DEBT		$355,844,601	(3)
NET COMBINED TOTAL DEBT		$322,010,394	

(1) Based on 2005-06 ratios.
(2) Excludes general obligation bonds to be sold.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2006-07 Assessed Valuation:
Direct Debt ($142,000,000) 1.40%
Total Direct and Overlapping Tax and Assessment Debt 1.74%

Ratios to Adjusted Assessed Valuation:
Gross Combined Direct Debt ($208,780,000)..................................... 2.83%
Net Combined Direct Debt ($178,780,000) 2.42%
Gross Combined Total Debt.. 4.82%
Net Combined Total Debt.. 4.36%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: $779

Source: California Municipal Statistics, Inc.

TAXATION AND APPROPRIATIONS

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing (1) state-assessed public utilities' property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition property on the secured roll with respect to which taxes are delinquent is sent to collections on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1, except that supplemental assessment and taxation of property occurs as of the occurrence of a change of ownership or completion of new construction, timely providing increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date.

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

Unitary Taxation of Utility Property

Historically, property of regulated public utilities has been assessed for local tax purposes by the State Board of Equalization on a geographical basis in basically the same manner as other taxable property in any taxing jurisdiction.

In 1987, the State Legislature enacted Chapter 921 amending Section 98.9 and various other sections of the Revenue and Taxation Code. The changes call for the establishment in each county of one county-wide tax rate area with the assessed value of all unitary and operating non-unitary utility property being assigned to this tax rate area.

The result is a single assessed valuation figure for all utility property owned by each utility within the county without any breakdown for individual taxing jurisdictions. All of this property is then subjected to a tax at a rate equal to the sum of the following two rates:

a) A rate determined by dividing the county's total *ad valorem* tax levies for the secured roll for the prior year, exclusive of levies for debt service, by the county's total *ad valorem* secured roll assessed value for the prior year, and

b) A rate determined by dividing the county's total *ad valorem* tax levies for the secured roll for the prior year for debt service only by the county's total *ad valorem* secured roll assessed value for the prior year.

The foregoing process results in the creation of two pools of money, pool 1 being available for general tax purposes and pool 2 for debt service purposes, each pool being then allocated to the various taxing jurisdictions in the county by a statutory formula for Los Angeles County as a whole.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIIIA and its implementing legislation shifted the functions of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county. The following exhibit displays tax levy and delinquency data for the District for the prior year.

EXHIBIT 7
SECURED TAX LEVIES AND DELINQUENCIES
POMONA UNIFIED SCHOOL DISTRICT

Fiscal Year	Secured Tax Levy	Secured Tax Delinquencies	Delinquencies As A Percent of Levy
2001-02(1)	$10,850,523.13	$276,106.86	2.54%
2001-02(2)	4,971,872.53	229,325.63	4.61
2002-03(1)	11,768,538.00	308,265.66	2.62
2002-03(2)	4,244,940.77	136,829.35	3.22
2003-04(1)	12,530,610.44	274,227.31	2.19
2003-04(2)	8,819,471.16	211,068.86	2.39
2004-05(1)	13,661,661.67	320,234.46	2.34
2004-05(2)	9,855,337.19	367,613.48	3.73

(1) 1% General Fund apportionment. Excludes redevelopment agency impounds.
(2) Debt service levy.

Source: California Municipal Statistics, Inc. and Controller of the State of California

The County Pooled Investment Policy

As required by state law, the District deposits all of its general fund revenues with the County of Los Angeles' Pooled Surplus Investment Fund. Regarding the Pooled Investment Fund, the County has provided the following information.

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of July 31, 2006, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	$6.487
Schools and Community Colleges	7.694
Independent Public Agencies	1.377
Total	15.558

Of these entities, the involuntary participants accounted for approximately 91.15%, and all discretionary participants accounted for 8.85% of the total treasury pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on April 4, 2006, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors for formal action to approve it. According to the Investment Report dated August 25, 2006, the July 31, 2006 book value of the Treasury Pool was approximately $15.558 billion and the corresponding market value was approximately $15.536 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. They also review each investment trade for accuracy and compliance with the Board adopted Investment Policy. The County Auditor-Controller's Office performs similar cash and investment reconciliation on a quarterly basis and regularly reviews investment transactions for conformance with the approved policies. Additionally, the County's outside independent auditor annually accounts for all investments.

The Treasury Pool is highly liquid. As of July 31, 2006 approximately 43.81% of the pool investments mature within 60 days, with an average of 277.67 days to maturity for the entire portfolio. The following table identifies the types of securities held by the Pool as of August 31, 2006.

Type of Investment	% of Pool
U.S. Government and Agency Obligations	54.98
Certificates of Deposit	15.14
Commercial Paper	24.18
Bankers Acceptances	0.00
Municipal Obligations	0.06
Corporate Notes & Deposit Notes	5.61
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.03

Effective January 1, 1996, Section 27131 of the Government Code requires all counties investing surplus funds to establish a County Treasury Oversight Committee. On January 16, 1996, the Board of Supervisors approved the establishment of the County Treasury Oversight Committee and subsequently confirmed the five Committee members nominated by the Treasurer in accordance with that Section. The committee which meets quarterly, is required to review and monitor for compliance, the investment policies prepared by the Treasurer.

Twenty Top Taxpayers

The exhibit below lists the top twenty property taxpayers within the District for fiscal year 2005-06.

EXHIBIT 8
2005-06 LARGEST LOCAL SECURED TAXPAYERS
POMONA UNIFIED SCHOOL DISTRICT

	Property Owner	Land Use	2005-06 Assessed Valuation	% of Total (1)
1.	UDR the Crest LP	Apartments	$ 60,656,659	0.71%
2.	Industry East Land LLC, Lessee	Industrial	46,347,337	0.54
3.	1675 Mission Associates LLC	Industrial	31,365,000	0.37
4.	Ripon Cogeneration Inc.	Industrial	27,611,833	0.32
5.	Grand Avenue Venture LLC	Industrial	26,985,436	0.32
6.	Realty Associates Iowa Corp.	Industrial	24,162,254	0.28
7.	Steelcase Inc., Lessee	Industrial	24,007,563	0.28
8.	Topanga Owensmouth 7 LLC	Apartments	22,661,900	0.27
9.	CH Realty IIII Pomona LP	Industrial	21,420,000	0.25
10.	Lee Wang LLC	Industrial	18,940,609	0.22
11.	DeVry Inc.	Office Building	18,758,886	0.22
12.	FDS Manufacturing Co.	Industrial	18,282,288	0.21
13.	Familian Corp.	Industrial	17,722,558	0.21
14.	ELC Investments LLC	Industrial	17,436,267	0.20
15.	SRG Libbey LLC	Industrial	17,000,100	0.20
16.	Weiss Family LP	Shopping Center	16,601,920	0.19
17.	Mission Equities LLC	Industrial	14,885,654	0.17
18.	SL Investment Group LLC	Industrial	14,362,028	0.17
19.	Hayward Manufacturing Co. Inc.	Industrial	14,314,210	0.17
20.	UTC Venture LP	Office Building	13,744,496	0.16
			$467,266,998	5.47%

(1) 2005-06 Local Secured Assessed Valuation: $8,549,423,891
Source: California Municipal Statistics, Inc.

Historic Assessed Valuation

The District has a 2006-07 gross assessed valuation of $10,149,769,546 (full cash value), accounting for approximately 1.10% of the total assessed valuation of the County. Shown in the following exhibit are the assessed valuation historical trends for the District and the County.

EXHIBIT 9
HISTORIC ASSESSED VALUATIONS (1)
POMONA UNIFIED SCHOOL DISTRICT

Fiscal Year	District Assessed Valuations	Los Angeles County Assessed Valuations(2)
1990-91	$4,688,850,122	$426,337,618,868
1991-92	5,301,284,817	461,721,717,108
1992-93	5,592,735,313	492,520,558,003
1993-94	5,723,436,229	500,011,254,351
1994-95	5,729,619,964	506,445,285,604
1995-96	5,674,443,687	496,111,164,453
1996-97	5,710,515,715	493,281,628,389
1997-98	5,705,125,510	497,096,984,910
1998-99	5,794,351,626	524,675,138,388
1999-00	5,972,475,111	541,735,351,351
2000-01	6,212,310,441	577,948,945,935
2001-02	6,558,514,258	617,913,468,602
2002-03	7,018,913,311	655,821,313,178
2003-04	7,502,470,974	705,761,018,527
2004-05	8,115,295,457	758,581,076,215
2005-06	8,982,125,401	833,055,498,676
2006-07	10,149,769,546	922,708,948,325

(1) Before redevelopment increment.
(2) Excluding Unitary Utility Tax.
Source: California Municipal Statistics, Inc.

Tax Rates

Prior to Article XIIIA of the State Constitution taking effect in the 1978-79 fiscal year, the total tax rate for the District was established by the Los Angeles County Board of Supervisors. Beginning with 1978-79 fiscal year the County Board of Supervisors established a tax rate to meet debt service (including repayment revenues derived from the maximum rate permitted under Article XIIIA for purposes other than paying debt service).

Contained within the District's boundaries are numerous overlapping local agencies. Exhibit 10 presents the total tax rate for typical property owners within the incorporated and unincorporated areas of the District.

EXHIBIT 10
TYPICAL TOTAL TAX RATE (1)
POMONA UNIFIED SCHOOL DISTRICT

Fiscal Year	Tax Rate
1991-92	$1.031706
1992-93	1.048765
1993-94	1.070995
1994-95	1.073532
1995-96	1.069649
1996-97	1.075495
1997-98	1.090926
1998-99	1.096211
1999-00	1.117155
2000-01	1.146596
2001-02	1.131919
2002-03	1.151490
2003-04	1.149133
2004-05	1.150803
2005-06	1.152138

(1) Per $100 of Assessed Valuation.
Source: California Municipal Statistics, Inc.

DISTRICT FINANCIAL INFORMATION

District Budget

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

Under current law, the District Board of Trustees approves an adopted budget by July 1 of each fiscal year. Exhibit 11a shows the District's audited actual fund balances, revenues and expenditures from the fiscal year audit reports for fiscal years 2002-03, 2003-04 and 2004-05 audit reports. Exhibit 11b shows the fund balances, revenues and expenditures from the unaudited actuals for fiscal year 2005-06 and the 2006-07 adopted budget.

EXHIBIT 11a
GENERAL FUND
REVENUES, EXPENDITURES AND FUND BALANCES
FISCAL YEARS 2002-03 THROUGH 2004-05
POMONA UNIFIED SCHOOL DISTRICT

	2002-03 Audit	2003-04 Audit	2004-05 Audit
Beginning Balance	$ 42,547,287	$ 28,163,775	$ 27,607,742
Revenues			
Revenue Limit	162,631,134	160,451,924	166,546,405
Federal Revenue	21,012,163	25,017,260	26,117,925
Other State Revenue	51,181,766	48,109,404	56,927,914
Other Local Revenue	3,880,377	12,062,892	4,134,127
Total Revenue	238,705,440	245,641,480	253,726,371
Expenditures			
Instruction	156,667,603	150,503,688	153,366,345
Instruction related activities	33,075,954	33,220,899	33,003,670
Pupil services	16,468,933	18,807,961	16,334,097
General administration	13,772,893	11,550,660	12,931,022
Plant service	21,475,313	19,873,269	18,226,660
Facility acquisition and construct.	82,031	687,311	569,805
Ancillary services	1,118,550	1,231,473	1,248,064
Community services	1,055,905	617,093	648,309
Other Outgo	3,585,442	3,440,893	2,125,867
Enterprise services	0	0	162
Debt Service: Principal	269,832	210,784	275,397
Interest	86,075	95,394	37,494
Total Expenditures	247,658,531	240,239,425	238,766,892
Other Sources and Uses			
Transfers In	1	61,912	69,766
Transfers Out	(5,430,422)	(6,020,000)	(7,352,190)
Total Other Sources & Uses	(5,430,421)	(5,958,088)	(7,282,424)
Ending Balance	$ 28,163,775	$ 27,607,742	$ 35,284,797

Source: Pomona Unified School District.

EXHIBIT 11b
GENERAL FUND
REVENUES, EXPENDITURES AND FUND BALANCES
FISCAL YEARS 2005-06 THROUGH 2006-07
POMONA UNIFIED SCHOOL DISTRICT

	2005-06 Unaudited Actuals	2006-07 Adopted Budget (1)
Beginning Balance	$ 35,284,797	$ 38,901,527
Revenues		
Revenue Limit	171,197,971	176,047,308
Federal Revenue	28,841,425	29,974,072
Other State Revenue	49,192,506	48,016,599
Other Local Revenue	5,826,509	3,528,091
Total Revenue	255,058,411	257,566,070
Expenditures		
Certificated Salaries	123,892,602	125,313,352
Classified Salaries	31,894,571	33,997,250
Employee Benefits	40,943,245	44,021,055
Books and Supplies	18,196,498	18,357,622
Services and Other Operating Expenditures	31,455,499	33,704,962
Capital Outlay	94,500	303,303
Other Outgo	2,351,119	3,224,538
Transfers of Indirect/Direct Support Costs	(2,990,608)	(3,517,647)
Total Expenditures	245,837,426	255,404,435
Other Sources and Uses		
Transfers In	0	0
Transfers Out	(5,604,255)	(5,961,568)
Total Other Sources & Uses	(5,604,255)	(5,961,568)
Ending Balance	$ 38,901,527	$ 35,101,594

(1) Beginning balance adjusted to reflect unaudited actual ending balance.

Source: Pomona Unified School District.

Accounting Practices

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

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

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

The District's independent auditor is currently Vavrinek, Trine, Day & Co., Rancho Cucamonga, California. Excerpts from the audited financial statements for the year ended June 30, 2005 are included as APPENDIX A hereto.

STATE OF CALIFORNIA FINANCES

State Funding of Education

The State of California (the "State") requires that from all State revenues there shall first be set apart the moneys to be applied for 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. As a result, decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

State Revenue Limit

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance ("ADA"). Such apportionments will, in general, amount to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts. In November 1988, California voters approved an amendment to the California Constitution which guarantees primary and secondary education and the community college system a certain percentage of the state general fund budget for the 1988-89 budget year and subsequent budget years.

Exhibit 12 shows the District's revenue limit per unit of average daily attendance and revenue limit total over the period 1994-95 through 2005-06 and as estimated for 2006-07.

EXHIBIT 12
REVENUE LIMIT FISCAL YEARS 1994-95 THROUGH 2006-07(1)
POMONA UNIFIED SCHOOL DISTRICT

Fiscal Year	Revenue Limit per Unit of Average Daily Attendance	Average Daily Attendance	Total Revenue Limit (2)
1994-95	$3,102.74	29,259	$ 90,554,159
1995-96	3,207.75	29,784	93,608,561
1996-97	3,381.92	30,363	102,685,237
1997-98	3,564.71	31,191	111,186,870
1998-99	3,878.77	30,819 (4)	119,539,813
1999-00	4,011.34	31,713	127,211,625
2000-01	4,451.03	31,912	142,041,269
2001-02	4,625.08	33,482	154,856,836
2002-03	4,718.08	33,976	160,302,005
2003-04	4,806.08	33,878 (5)	162,819,465
2004-05	4,944.06	33,815 (5)	167,185,416
2005-06	5,155.14	33,124	170,757,001
2006-07 (3)	5,570.53	31,730	175,167,521

(1) General Fund excluding adult education students.
(2) The revenue limit total pertains to general education purposes and excludes categorical aid programs, certain capital outlays, and other special purposes.
(3) Estimate.
(4) Commencing with the 1998-99 fiscal year, ADA is based on actual attendance per SB 727.
(5) Excludes county and state approved charter school ADA.

Source: Pomona Unified School District

State Funding of Education and Recent State Budgets

The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

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

General. 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 and the operation of the State Appropriations Limit, primarily by guaranteeing K-14 schools a minimum share of General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) in general, a fixed percent of 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 would replace Test 2 in any year when the percentage growth in per capita 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 would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita 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 would become a "credit" to schools which would be the basis of payments in future years when per capita General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of the 1988-89 fiscal year, implementing Proposition 98, determined the K-14 schools' funding guarantee under Test 1 to be 40.3 percent of the General Fund tax revenues, based on 1986-87 appropriations. However, that percent has been adjusted to approximately 35 percent to account for a subsequent redirection of local property taxes, since such redirection directly affects the share of General Fund revenues to schools. Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period.

During the recession in the early 1990s, General Fund revenues for several years were less than originally projected, so that the original Proposition 98 appropriations turned out to be higher than the minimum percentage provided in the law. The Legislature responded to these developments by designating the "extra" Proposition 98 payments in one year as a "loan" from future years' Proposition 98 entitlements, and also intended that the "extra" payments would not be included in the Proposition 98 "base" for calculating future years' entitlements. By implementing these actions, per-pupil funding from Proposition 98 sources stayed almost constant at approximately $4,200 from fiscal year 1991-92 to fiscal year 1993-94.

In 1992, a lawsuit was filed, called *California Teachers' Association v. Gould*, which challenged the validity of these off-budget loans. The settlement of this case, finalized in July 1996, provides, among other things, that both the State and K-14 schools share in the repayment of prior years' emergency loans to schools.

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

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

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

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

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

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

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

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

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

Tax Shifts and Triple Flip. Assembly Bill No. 1755 ("AB 1755"), introduced March 10, 2003 and substantially amended June 23, 2003, requires the shifting of property taxes between redevelopment agencies and schools. On July 29, 2003, the Assembly amended Senate Bill No. 1045 to incorporate all of the provisions of AB 1755, except that the Assembly reduced the amount of the required ERAF shift to $135 million. Legislation commonly referred to as the "Triple Flip," was approved by the voters on March 2, 2004, as part of a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip", one-quarter of local governments' one percent share of the sales tax imposed on taxable transactions within their jurisdiction are redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation redirects property taxes in the ERAF to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive the other state general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds were repaid, which is currently expected to occur in approximately 9 to 13 years.

2006-07 State Budget. On June 30, 2006 the Governor signed the 2006-07 budget act (the "2006-07 Budget"). The 2006-07 Budget projects that the State will be able to fund much more than a current-law budget and still maintain fiscal balance in 2006-07, primarily due to both a major increase in revenues and a significant amount of savings adopted in the 2005-06 spending plan.

For K-12 education, the 2006-07 Budget assumes $8 billion in new funds for Proposition 98 funding, with K-12 per pupil funding of $8,244 in 2006-07 (more than an 11% increase from the $7,402 provided in the 2005-06 Budget). Significant funding increases are included for school district apportionments, local block grants, revenue limit equalization, Economic Impact Aid and expansions in a variety of other areas. Additional provisions, as summarized by the Legislative Analyst's Office, include:

- Proposition 98 ongoing funding increases of $5.2 billion,
- Proposition 98 one-time increase of $2.8 billion,
- Lawsuit settlement proposed (but pending) ($2.9 billion) for settlement of the Proposition 98 suspension in 2004-05,
- 5.92% Colas, growth and other adjustments of $2.4 billion.

Information about the State budget is regularly available at various State-maintained websites. The Fiscal Years 2005-06 and 2006-07 State Budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget". Additionally, an impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets.

THE STATE HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE COUNTY, THE UNDERWRITER OR THE OWNERS OF THE BONDS TO PROVIDE STATE BUDGET INFORMATION TO THE DISTRICT OR THE OWNERS OF THE BONDS. ALTHOUGH THEY BELIEVE THE STATE SOURCES OF INFORMATION LISTED ABOVE ARE RELIABLE, NEITHER THE DISTRICT NOR THE UNDERWRITER ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OF THE STATE BUDGET INFORMATION SET FORTH OR REFERRED TO HEREIN OR INCORPORATED BY REFERENCE HEREIN.

LIMITATIONS ON TAX REVENUES

Article XIIIA of the California Constitution

Proposition 13-Article. XIIIA On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978.

Proposition 46. Under Proposition 46, approved by the voters on June 3, 1986, Article XIIIA was amended to allow bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-third of the voters on such indebtedness,.

Proposition 39. Proposition 39, approved by voters on November 7, 2000, further amended Article XIIIA to permit bonded indebtedness to be 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, if approved by 55% of the voters of the district voting at the election, but only if certain accountability measures are included in the proposition.

"Cash Value." Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

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

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

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies (such as the District) are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies in the county. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

On November 6, 1979, the voters of the State approved Proposition 4, known as the Gann Initiative, which added Article XIIIB to the California Constitution. On June 5, 1990, the voters approved Proposition 111, which amended Article XIIIB in certain respects. Under Article XIIIB, as amended, state and local government entities have an annual "appropriations subject to limitation" which limits the ability to spend certain moneys which are called "appropriations subject to limitation" (consisting of most tax revenues and certain state subventions together called "proceeds of taxes" and certain other funds) in an amount higher than the "appropriations subject to limitation." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including appropriations for debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters in accordance with the law governing the election.

Proposition 218

On November 5, 1996, California voters approved Proposition 218 - Voter Approval for Local Government Taxes - Limitation on Fees, Assessments, and Charges - Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (i) the *ad valorem* property tax impose pursuant to Article XIII and Article XIIIA of the California Constitution, (ii) any special tax receiving a two-thirds vote pursuant to the California Constitution, and (iii) assessments, fees and charges for property related services as provided in Proposition 218. Proposition 218 further adds voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. Proposition 218 also extended the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts.

Because the issuance of the Bonds was authorized by the voters in accordance with California law, the issuance of the Bonds and the levy and collection of an additional property taxes within the District to pay debt service on the Bonds complies with the provisions of Proposition 218.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

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

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

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

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

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

Form of Bond Counsel Opinion. Bond Counsel expects to deliver an opinion at the time of issuance of the Bonds in substantially the same form set forth in Appendix B.

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

CERTAIN LEGAL MATTERS

Legality for Investment

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

Absence of Litigation

At the time of payment for and delivery of the Bonds, the Underwriter will be furnished with a certificate of the District that to the best knowledge of the officer of the District executing the same that there is no litigation pending, affecting the validity of the Bonds.

RATING

Standard & Poor's Corporation ("S&P") has assigned the rating of "AAA" to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the payment when due of the principal and interest with respect to the Bonds will be issued by CIFG Assurance North American, Inc. Such rating reflects only the view of the rating agency and an explanation of the significance of such rating may be obtained only from the rating agency at the following address: Standard & Poor's Corporation, 55 Water Street, New York, New York 10041. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds. The District assumes no obligation to attempt to maintain any rating on the Bonds from S&P.

MISCELLANEOUS

At the time of delivery and payment for the Bonds, an authorized representative of the District will deliver a certificate stating that to the best of his or her knowledge this Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. Such certificate will also certify that to the best of his or her knowledge from the date of this Official Statement to the date of such delivery and payment there was no material adverse change in the information set forth herein.

Dale Scott & Company Inc. has acted as financial advisor to the District in conjunction with this offering. The delivery of this Official Statement has been authorized by the Board of Education of the District.

POMONA UNIFIED SCHOOL DISTRICT, CALIFORNIA

By: /s/ Thelma Melendez de Santa Ana
Dr. Thelma Melendez de Santa Ana
Superintendent

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APPENDIX A
EXCERPTS FROM AUDITED FINANCIAL STATEMENTS
OF THE DISTRICT FOR FISCAL YEAR 2004-05

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Governing Board
Pomona Unified School District
Pomona, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pomona Unified School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies* 2004-2005, prescribed in the California Code of Regulations, Title 5, Section 19810, and following. 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pomona Unified School District, as of June 30, 2005, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA

The required supplementary information, such as management's discussion and analysis on pages 4 through 16 and budgetary comparison information on pages 62 and 63, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds and the General Fund and Cafeteria Account Selected Financial Information are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 25, 2005

EDUCATION CENTER / BUSINESS SERVICES

POMONA UNIFIED SCHOOL DISTRICT

800 South Garey Avenue, P.O. Box 2900, Pomona, California 91769
Pamela J. Lopez, Assistant Superintendent, CFO, Business Services

Phone: (909) 397-4800
Fax: (909) 622-5895

This section of Pomona Unified School District's (the District) 2005 annual financial report presents Pomona Unified School District management discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005, with comparative information for June 30, 2004, as restated. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Pomona Unified School District and its component units using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for both activities: governmental and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The Primary unit of the government is the Pomona Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

In the *Statement of Net Assets* and the *Statement of Activities*, the District's governmental activities are reported. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses and Changes in Fund Net Assets*. The District uses internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like funds for associated student body activities and scholarships. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets*. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $198.6 million for the fiscal year ended June 30, 2005. Of this amount, $14.8 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. The analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities	
	2005	2004
Current and other assets	$ 218.8	$ 212.1
Capital assets	239.2	221.4
Total Assets	**458.0**	**433.5**
Current liabilities and other liabilities	76.3	82.1
Long-term debt	183.1	178.2
Total Liabilities	**259.4**	**260.3**
Net assets		
Invested in capital assets, net of related debt	103.9	93.8
Restricted	75.9	64.7
Unrestricted	18.8	14.7
Total Net Assets	**$ 198.6**	**$ 173.2**

The $14.8 million in unrestricted and designated net assets of governmental activities represents the *accumulated* results of all past years' operations. This amount includes the Reserve for Economic Uncertainties required by the State of California.

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 18. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities	
	2005	2004
Revenues		
Program revenues:		
Charges for services	$ 3.2	$ 4.1
Operating grants and contributions	124.3	116.3
Capital grants and contributions	2.7	9.0
General revenues:		
Federal and State revenue - unrestricted	159.5	132.3
Property taxes	32.3	51.7
Other general revenues	29.3	21.7
Total Revenues	**351.3**	**335.1**
Expenses		
Instruction related	215.4	212.1
Student support services	61.1	66.5
Administration	12.6	12.8
Maintenance and operations	22.8	23.5
Other	14.1	14.1
Total Expenses	**326.0**	**329.0**
Change in Net Assets	**$ 25.3**	**$ 6.1**

Governmental Activities

As reported in the *Statement of Activities* on page 18, the cost of all of the District's governmental activities this year was $326.0 million. However, the amount that taxpayers ultimately financed for these activities through local taxes was only $32.3 million because the cost was paid by those who benefited from the programs ($3.2 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($127.0 million). The District paid for the remaining "public benefit" portion of the governmental activities with $188.8 million in State funds and with other revenues, like interest and general entitlements.

In Table 3, the District has presented the cost of each of the District's functions - instruction; supervision of instruction; instructional library, media, and technology; school site administration; home-to-school transportation; food service; other pupil services; general administration; plant services; facility acquisition and construction; ancillary services; community services; interest on long-term debt; and other outgo, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	2005		2004	
(Amounts in millions)	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$ 176.7	$ 121.7	$ 174.1	$ 120.0
Supervision of instruction	18.4	3.4	16.0	3.8
Instructional library, media, and technology	1.5	0.8	2.6	1.3
School site administration	18.8	16.6	19.4	17.2
Home-to-school transportation	5.1	3.8	5.3	4.6
Food service	11.7	0.3	13.3	0.7
Other pupil services	44.3	10.5	47.9	14.5
General administration	12.6	6.7	12.8	7.1
Plant services	22.2	18.8	23.2	20.8
Facility acquisition and construction	0.6	0.2	0.4	0.4
Ancillary services	1.2	1.2	1.2	1.2
Community services	0.6	0.6	0.6	0.6
Interest on long-term debt	10.1	10.1	8.8	8.8
Other outgo	2.1	1.0	3.4	(1.4)
Totals	**$ 325.9**	**$ 195.7**	**$ 329.0**	**$ 199.6**

THE DISTRICT'S FUNDS

As the District completed this year, its governmental funds reported a combined fund balance of $152.1 million, which is an increase of $9.2 million from last year (Table 4).

Table 4

(Dollar amounts in millions)	Fund Balance	
	June 30, 2005	June 30, 2004
General	$ 35.3	$ 27.6
Adult education	9.8	9.9
Child development	0.9	0.8
Cafeteria	4.2	4.0
Deferred maintenance	7.8	6.5
Building	26.6	26.6
Capital facilities	4.9	3.3
County school facilities	6.9	8.5
Special reserve capital	22.8	21.9
Capital projects component unit	22.9	24.6
Bond interest and redemption	7.0	6.1
Debt service component unit	3.0	3.1
Totals	**$ 152.1**	**$ 142.9**

The combined General Fund increased by $7,677,055. The primary reasons for the change in fund balance are the following:

a. The Unrestricted General Fund is the District's principal operating fund. The fund balance in the Unrestricted General Fund decreased by $.4 million to $20.4 million from last year.

   The primary reason for the decrease in the Unrestricted General Fund balance is declining enrollment.

b. The Restricted General Fund balance increased by $8.1 million due to increases in categorical revenues for Program Improvement Schools and increases in Federal funds.

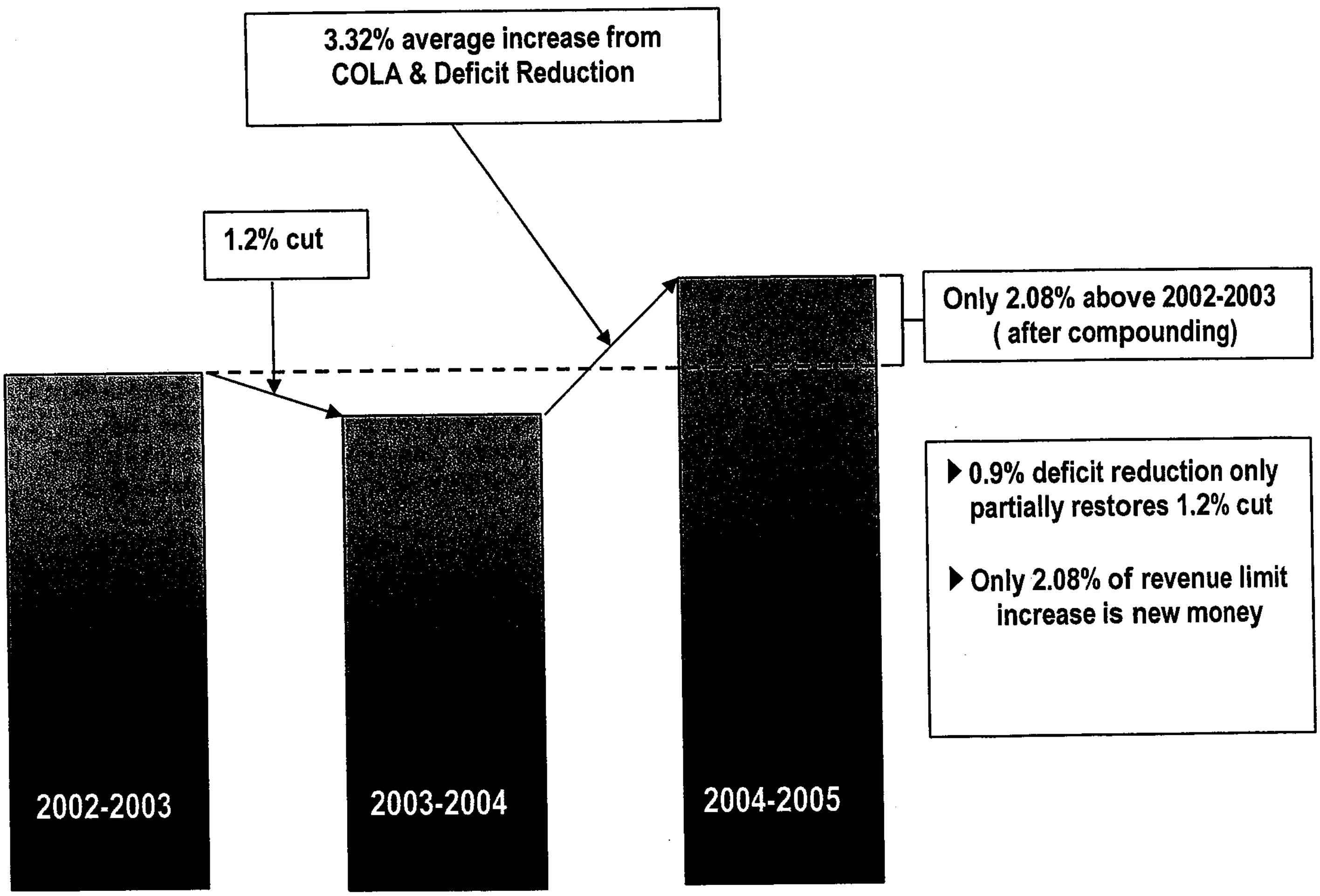
General Fund Budgetary Highlights

In 2004-2005, K-12 education experienced an unprecedented suspension of Proposition 98. The suspension was the result of a negotiated "deal" between the Education Coalition and the Governor. The "deal" included a $2.1 billion "limited suspension" of the Proposition 98 minimum funding guarantee. The $2.1 billion owed to K-14 education in 2004-2005 was to be added to the "maintenance factor," which maintains these funds as a liability of the State to be paid to education at a later date. However, the "deal" did not specify a timeline for restoring the $2.1 billion cut in on-going funding. The Administration indicated that the cut to Prop. 98 funding would be restored within three years. It is very unlikely that education will see any of these funds within the next three years. Under the Prop 98 formula, a percentage of any increase in State revenues above those projected would automatically increase the K-14 minimum funding levels. The State did realize higher than anticipated tax revenues in 2004-2005; mainly due to a tax amnesty program. However, as a result of the Prop 98 suspension, these funds, approximately $1.1 billion, were not accrued to K-14 education, but placed in a "Proposition 98 reserve." This means that additional legislation will be required in order to appropriate these funds to education. One of the key components of the "deal" is that the Administration and the Education Coalition agreed upon a funding formula for expending the restoration dollars. Once again, these dollars would need to be appropriated to education before they could be spent. It is unlikely that any appropriation will be made. In addition to the above mentioned cuts in State revenues, there are additional monies owed to districts from prior years as well. These funds are referred to as "settle-up" funds and date back to the 1995-1996 fiscal year. These "settle-up" funds amount to $1.2 billion. Senate Bill 1108 provided a mechanism for payment of these funds. Annual appropriations of $150 million will be made to districts beginning in 2006-2007. Funds will be allocated to school districts based on ADA, and payments will continue until the obligation is paid off. These appropriations are to be used to pay outstanding mandate claims, but the legislature is authorized to specify other one-time purposes for the funds. At this rate, the $1.2 billion debt would not be fully paid until 2013-2014 assuming no additional amounts are owed in subsequent years. A summary of the decline in State revenues is listed below:

2004-2005 Revenue Summary

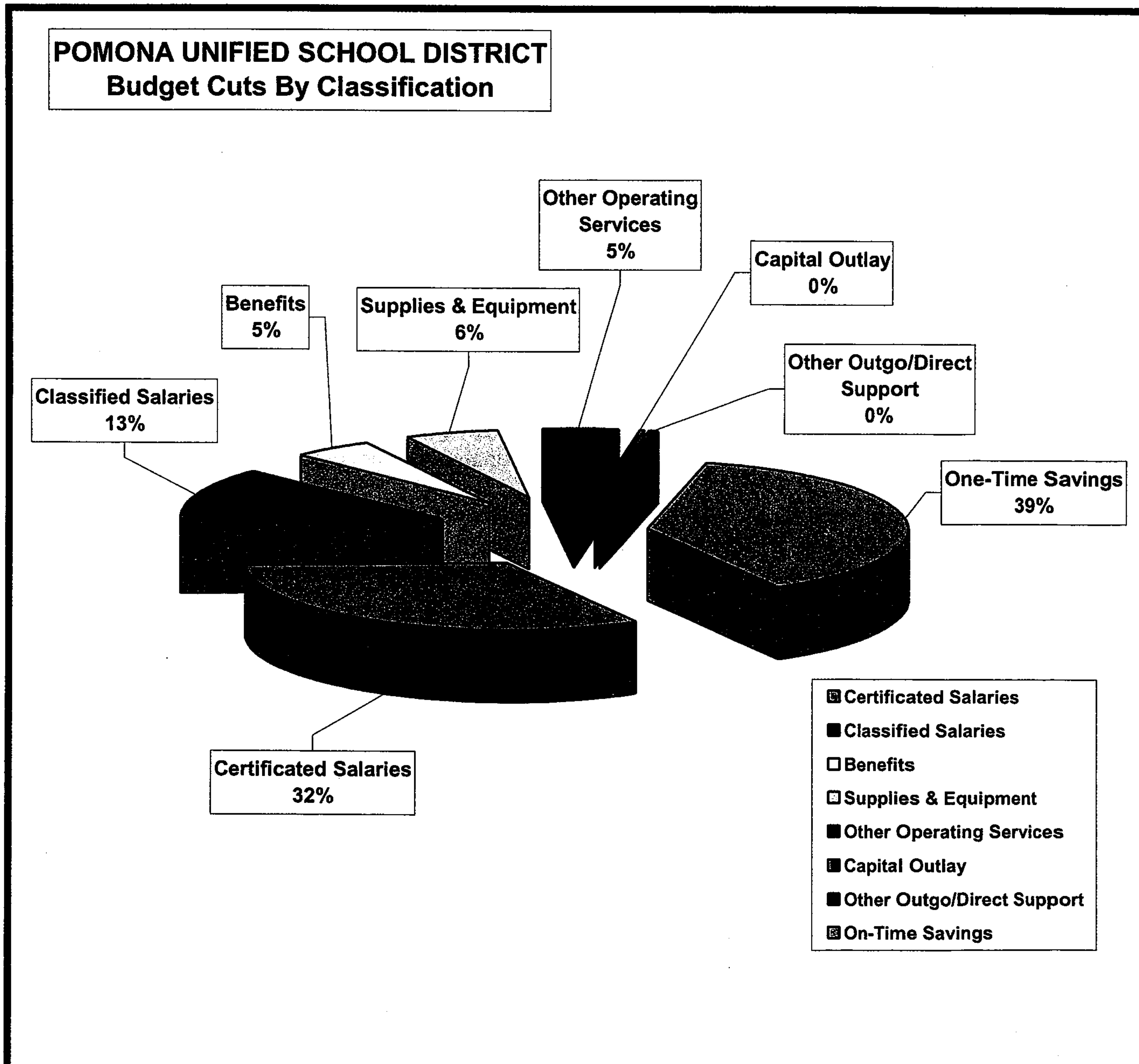
- Revenue limit deficited by 2.143 percent approximately $1.9 million loss to the District.
- Loss of revenues associated with decline of 483.29 ADA in prior year approximately $2.4 million to the District.
- Proposition 98 minimum guarantee reduced by $2.1 billion statewide increasing "maintenance factor" owed to education to $3.7 billion.
- $1.1 billion in additional 2004-2005 State revenues diverted from "maintenance factor" to Prop 98 Reserve Fund. The State has failed to appropriate these funds for K-14 education.
- No payment against Proposition 98 "settle-up" funds of $1.2 billion statewide.
- No mandated cost claim payments made in 2004-2005, loss of approximately $600,000 to the District.

Despite the loss of $2.1 billion in funding for education, the 2004-2005 State budget did provide for COLA and growth for revenue limits and categorical programs as well as funding for equalization, instructional materials, and partially offset the deficit reduction. The 2004-2005 fiscal year included a 2.41 percent COLA as well as a reduction in the revenue limit deficit of .875 percent resulting in a net funded COLA of 3.32 percent. While the net funded COLA is 3.31 percent over the 2003-2004 revenue limit funding, it is only 2.08 percent above the 2002-2003 revenue limit amount. The disparity is due to the 1.2 percent reduction in revenue limit funding in the 2003-2004 fiscal year. The net affect of the negative COLA is illustrated below:



The District's 2004-2005 budget included $10.3 million in on-going budget reductions bringing the total reductions and one-time savings over the past two fiscal years to $30.9 million. The graph below depicts the District's reductions and one-time savings by expenditure classification:

Certificated Salaries:	**$ 10.1 million**	**Supplies & Equipment**	**$ 1.8 million**
Classified Salaries:	**$ 4.1 million**	**Other Operating Services**	**$ 1.5 million**
Benefits:	**$ 1.5 million**	**Capital Outlay**	**$ 0.1 million**
One-Time Savings:	**$ 11.9 million**	**Other Outgo/Direct Support**	**$-0.1 million**



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had $239.3 million (net of depreciation) in a broad range of capital assets, including land, land improvements, construction in progress, buildings and improvements, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $17.9 million, or 8.1 percent, from last year.

Table 5

(Amounts in millions)	Governmental Activities			
	2005		2004	
Land	$	35.5	$	33.7
Land improvements		5.5		6.0
Construction in progress		16.1		12.3
Buildings and improvements		178.6		165.8
Furniture and equipment		3.6		3.6
Totals	**$**	**239.3**	**$**	**221.4**

This year's additions of $25.0 million included land acquisitions, construction in progress, building improvements, and furniture and equipment. The major projects completed included the Alcott Expansion Project, Ganesha High School Project, and Modernizations of Armstrong, Lorbeer, Washington, Diamond Point, and Roosevelt.

Several capital projects are planned for the 2005-2006 year. The District anticipates capital additions of $15.3 million for the 2005-2006 year for various repair and renovation projects district-wide. The District presents more detailed information about its capital assets in Note 4 to the financial statements.

Long-Term Liabilities

Table 6

(Amounts in millions)	Governmental Activities			
	2005		2004	
General obligation bonds (financed with property taxes)	$	148.3	$	136.3
Lease revenue bonds		37.8		37.3
Accumulated vacation - net		0.7		0.7
Capitalized lease obligations		1.0		6.7
Early retirement incentive		3.4		9.0
Totals	**$**	**191.2**	**$**	**190.0**

The District's general obligation bond rating continues to be an "A Rating." The State limits the amount of general obligation debt that District's can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $148.3 million is significantly below this $202.9 million statutorily-imposed limit.

Other obligations include compensated absences payable, postemployment benefits (not including health benefits), and other long-term debt. The District presents more detailed information regarding its long-term liabilities in Note 10 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2004-2005 ARE NOTED BELOW:

- San Jose Elementary, Pomona, and Ganesha High Schools exited Program Improvement.
- Kellogg and Vejar Elementary schools met their Adequate Yearly Progress Target (AYP) and did not advance in Program Improvement. If they meet their AYP target in 2005-2006, they too will exit Program Improvement.
- All Middle and High Schools showed growth toward meeting their Academic Performance Index (API).
- The Village Academy High School was selected to be a NASA Explorer School.
- Ranch Hills Elementary School was named a National Blue Ribbon School.

ECONOMIC FACTORS AND THE 2005-2006 BUDGET

The 2005-2006 Adopted Budget with combined fund expenditures of $374,891,804, was approved at the June 28, 2005 Board Meeting. The Adopted Budget included a projected decline of 712.67 K-12 ADA below the 2004-2005 Second Principal Apportionment (P2) ADA figures. All negotiated salary settlements were provided for in the Adopted Budget.

The 2005-2006 Governor's budget proposal has been characterized as an assault on K-14 education. In 2004-2005, Governor Schwarzenegger made promises to K-14 education, higher education, and local governments. He also pledged "no new taxes." He kept all his promises except for the one to K-14 education. The Governor reneged on the "deal" that limited the 2004-2005 suspension of Proposition 98 to $2.1 billion. As a result, the on-going cut to Prop 98 had reached $3.8 billion by the end of the 2004-2005 fiscal year.

The District is required to adopt its budget prior to the State's budget being adopted. This year in particular there were numerous unknowns at the time the budget was adopted. The Governor had proposed to pass on a portion of the State's STRS contribution to school districts. This would have equated to an additional two percent or $2 million in STRS costs for the District in the budget year and $6 million over three years. The County Office of Education required that all districts include the additional STRS costs in their adopted budget. The result of including the two percent STRS cost in the budget and the multi-year projection is that the District did not meet its two percent required reserve for economic uncertainty in 2007-2008 when it adopted its budget in June 2005. The shortfall was approximately $2.9 million in the third year.

The State budget was adopted in July 2005 and as expected it did not honor "the deal." The good news is that it did not include the STRS expenditure shift included in the Governor's proposed budget. The District's 1st Interim Report will include a reduction in expenditures of approximately $2 million for the current year and each of the subsequent two years. The result is that the County Office of Education approved the District's 2005-2006 budget "unconditionally."

Revenues

The major source of revenue to the District's general fund operating budget is the Revenue Limit; the per pupil allocation comprised of State revenue and local property taxes. The K-12 funded cost-of-living adjustment (COLA) to the Revenue Limit for 2005-2006 is 5.55 percent based on the States Adopted Budget. The District's K-12 general education enrollment and subsequent ADA are projected to continue to decline in 2005-2006. The revenue limit calculation for declining enrollment allows districts to use the greater of the current or prior year ADA when calculating the revenue limit. This means the District will realize a loss of 785.57 ADA or $3.9 million in revenue in the 2005-2006 fiscal year. The District is projected to continue to decline over the next couple of years. There have been attempts to pass legislation to lessen the impact of declining enrollment by allowing districts to spread the decline over several years; however, these attempts have been unsuccessful to date. Despite the decline in ADA funding, the increased COLA results in an overall increase in revenue limit funding of approximately $3.2 million.

Also included in the Districts 2005-2006 revenues are lottery funds, which vary from year to year depending upon lottery sales. On June 22, 2005, the lottery launched the new Mega Millions game. The hope is that larger jackpots will attract higher overall ticket sales. The proceeds for the Mega Millions game will distribute in the same manner as the current lottery proceeds. The possibility remains that the new game could reduce sales in the existing games; and therefore, overall sales would remain unchanged. Lottery revenue in 2005-2006 is projected at $128 per student.

Interest income began to steadily increase during the 2004-2005 fiscal year. The rates are projected to increase in the budget year, therefore, allowing for more stable interest income.

Other State and Federal revenues are budgeted according to the District's 2005-2006 budget assumptions.

EXPENDITURES

The major expenditure categories of the budget are salaries and benefits. Approximately 93 percent of the budget is comprised of personnel related costs. Each year, the employees receive step and column increases resulting in higher salary and benefit costs. The average cost for step and column for certificated is 1.5 percent and 1.2 percent for Classified. Salary increases have been included in the budget for APT (1.865 percent off-schedule bonus), CSEA (3.73 percent off-schedule bonus), and PACE (3.73 percent off-schedule bonus). All expenditures have been budgeted according to the 2005-2006 budget assumptions. Staffing ratios have been adhered to.

Another consideration in the preparation of the District's 2005-2006 budget is the passage of AB825. This bill consolidated 25 former stand-alone categorical programs into six new block grants. These grants are designed to give districts new flexibility in the use categorical programs. There are transfer provisions within each of the block grants that allow for transfers either in or out to other block grants or categorical programs. One of the major benefits of the transfer provision is that funds may be transferred to reduce the Special Ed encroachment.

In Conclusion

In considering the District Budget for the 2005-2006 year, the District Board and management used the following criteria:

The key assumptions in the District's revenue forecast are the following:

1. Revenue limit income will increase by 5.55 percent, which is the net effect of the statutory COLA and the revenue limit deficit.

2. Interest earnings will increase due to an anticipated growth in market interest rates.

3. Developer fee collections are based on approximately new housing units to be constructed.

4. Federal income will be budgeted at 90 percent of prior year funding.

5. State income will be reduced according to specific program cuts and deferrals.

6. Charges to other funds will be 6.49 percent.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Kindergarten	28:1	2,594
Grades 1 through 2	19.5:1	5,483
Grades three through six	30.75:1	10,013
Grades seven through twelve	28.5:1	13,561

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent/ Chief Financial Officer, at Pomona Unified School District, 800 South Garey Avenue, Pomona, California 91766.

POMONA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
ASSETS	
Deposits and investments	$ 179,750,401
Receivables	32,957,466
Prepaid expenses	560,585
Inventories	355,444
Other assets	1,112,803
Restricted assets, investments	2,994,906
Note receivable	600,000
Deferred charges	717,088
Capital assets	
Land and construction in progress	51,654,885
Other capital assets	264,929,091
Less: accumulated depreciation	(77,331,055)
Total Capital Assets	239,252,921
TOTAL ASSETS	458,301,614
LIABILITIES	
Accounts payable	36,946,619
Accrued interest	3,973,885
Deferred revenue	8,328,250
Claims liability	11,869,227
Deferred gain on sale	4,906,350
Deferred amount on refunding	2,404,312
Long-term liabilities	
Current portion of long-term obligations	8,171,974
Noncurrent portion of long-term obligations	183,064,097
Total Long-Term Liabilities	191,236,071
TOTAL LIABILITIES	259,664,714
NET ASSETS	
Invested in capital assets, net of related debt	103,870,841
Restricted for:	
Debt service	6,081,983
Capital projects	32,261,872
Educational programs	14,877,277
Other activities	22,700,273
Unrestricted	18,844,654
TOTAL NET ASSETS	$ 198,636,900

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

POMONA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Government Activities
Governmental Activities:					
Instruction	$ 176,659,747	$ 57,584	$ 52,224,956	$ 2,650,526	$ (121,726,681)
Instruction related activities:					
Supervision of instruction	18,402,538	21,722	14,977,733	-	(3,403,083)
Instructional library, media, and technology	1,526,899	-	754,001	-	(772,898)
School site administration	18,762,971	-	2,154,357	-	(16,608,614)
Pupil services:					
Home-to-school transportation	5,054,931	-	1,230,642	-	(3,824,289)
Food services	11,716,803	1,716,243	9,723,010	-	(277,550)
All other pupil services	44,279,314	1,000,276	32,743,475	-	(10,535,563)
General administration:					
Data processing	2,106,351	20,209	2,763	-	(2,083,379)
All other general administration	10,508,251	163,929	5,735,270	-	(4,609,052)
Plant services	22,233,344	8,800	3,435,610	-	(18,788,934)
Facility acquisition and construction	607,919	218,810	159,932	-	(229,177)
Ancillary services	1,243,319	6,434	747	-	(1,236,138)
Community services	647,191	-	-	-	(647,191)
Enterprise services	162	-	-	-	(162)
Interest on long-term debt	10,059,592	-	-	-	(10,059,592)
Other outgo	2,131,652	232	1,208,255	-	(923,165)
Total Governmental-Type Activities	$ 325,940,984	$ 3,214,239	$ 124,350,751	$ 2,650,526	(195,725,468)

General revenues and subventions:	
Property taxes, levied for general purposes	21,302,199
Property taxes, levied for debt service	11,029,072
Federal and State aid not restricted to specific purposes	159,484,617
Interest and investment earnings	2,622,844
Miscellaneous	26,648,672
Subtotal, General Revenues	221,087,404
Change in net assets	25,361,936
Net Assets - Beginning	173,274,964
Net Assets - Ending	$ 198,636,900

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

POMONA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2005

	General Fund	Child Development Fund	Component Unit Capital Projects Fund
ASSETS			
Deposits and investments	$ 43,200,848	$ 3,674,871	$ 21,843,801
Receivables	23,556,481	4,877,622	-
Due from other funds	1,759,116	-	-
Inventories	223,937	-	-
Other assets	29,440	-	1,083,363
Restricted assets, investments	-	-	-
Total Assets	$ 68,769,822	$ 8,552,493	$ 22,927,164
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 26,249,677	$ 4,773,421	$ -
Due to other funds	-	1,759,116	-
Deferred revenue	7,235,348	1,091,650	-
Total Liabilities	33,485,025	7,624,187	-
FUND BALANCES			
Reserved			
Inventories	223,937	-	-
Other reservations	15,027,277	-	-
Unreserved			
Designated	20,033,583	928,306	-
Undesignated, reported in:			
Debt service funds	-	-	-
Capital projects funds	-	-	22,927,164
Total Fund Balances	35,284,797	928,306	22,927,164
Total Liabilities and Fund Balances	$ 68,769,822	$ 8,552,493	$ 22,927,164

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

Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 29,948,847	$ 22,732,446	$ 38,185,769	$ 159,586,582
148,930	137,636	4,093,207	32,813,876
-	-	-	1,759,116
-	-	131,507	355,444
-	-	-	1,112,803
-	-	2,994,906	2,994,906
$ 30,097,777	$ 22,870,082	$ 45,405,389	$ 198,622,727
$ 3,539,597	$ 72,648	$ 1,804,560	$ 36,439,903
-	-	-	1,759,116
-	-	1,252	8,328,250
3,539,597	72,648	1,805,812	46,527,269
-	-	131,507	355,444
-	-	5,000	15,032,277
26,558,180	22,797,434	33,407,202	103,724,705
-	-	10,055,868	10,055,868
-	-	-	22,927,164
26,558,180	22,797,434	43,599,577	152,095,458
$ 30,097,777	$ 22,870,082	$ 45,405,389	$ 198,622,727

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POMONA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Amounts Reported for Governmental Activities in the Statement of Net-Assets are Different Because:		
Total Fund Balance - Governmental Funds		$ 152,095,458
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is the following	$ 316,583,976	
Accumulated depreciation is the following	(77,331,055)	239,252,921
Long term notes receivable does not meet the availability criteria under modified accrual basis and are deferred in the funds.		600,000
Expenditures relating to issuance of debt were recognized in modified accrual basis, but are capitalized and amortized over the remaining life of the related debt under accrual basis.		717,088
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(3,973,885)
Internal service funds are used by the District's management to charge the costs of the unemployment compensation and property and liability insurance programs to the individual funds. The assets and liabilities of the internal service funds are included with governmental activities.		8,492,051
Gain on sale of assets under a sale-leaseback transaction are deferred and recognized over the term of the lease.		(4,906,350)
Deferred amounts on refunding (difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter). Such amounts are not reported as assets or liabilities in the funds.		(2,404,312)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of the following:		
Bonds payable (net of issuance costs and premium)	(148,290,000)	
Lease revenue bonds payable	(37,825,000)	
Compensated absences (vacations)	(677,476)	
Capital leases payable	(1,058,713)	
Early retirement incentive	(3,383,867)	
State School Building Loan	(1,015)	(191,236,071)
Total Net Assets - Governmental Activities		$ 198,636,900

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

POMONA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	General	Child Development	Component Unit Capital Project
REVENUES			
Revenue limit sources	$ 166,546,405	$ -	$ -
Federal sources	26,117,925	27,806,199	-
Other State sources	56,927,914	9,959,268	-
Other local sources	4,134,127	9,326,728	329,307
Total Revenues	253,726,371	47,092,195	329,307
EXPENDITURES			
Current			
Instruction	153,366,345	7,924,592	1,873,853
Instruction related activities:			
Supervision of instruction	13,502,147	3,353,295	-
Instructional library, media, and technology	1,451,110	-	14,737
School site administration	18,050,413	-	-
Pupil services:			
Home-to-school transportation	4,840,090	-	-
Food services	-	836,463	-
All other pupil services	11,494,007	32,215,227	-
General administration:			
Data processing	2,113,299	-	-
All other general administration	10,817,723	1,787,618	-
Plant services	18,226,660	707,420	-
Facility acquisition and construction	569,805	100,481	-
Ancillary services	1,248,064	-	-
Community services	648,309	-	-
Other outgo	2,125,867	-	-
Enterprise services	162	-	-
Depreciation (unallocated)	-	-	-
Debt service			
Principal	275,397	23,615	-
Interest and other	37,494	3,940	-
Total Expenditures	238,766,892	46,952,651	1,888,590
Excess (Deficiency) of Revenues Over Expenditures	14,959,479	139,544	(1,559,283)
Other Financing Sources (Uses):			
Transfers in	-	-	-
Other sources	-	-	-
Capital lease	69,766	-	-
General obligation bonds issued	-	-	-
Transfers out	(7,352,190)	-	(9)
Net Financing Sources (Uses)	(7,282,424)	-	(9)
Net Change in Fund Balances	7,677,055	139,544	(1,559,292)
Fund Balance - Beginning As Restated	27,607,742	788,762	24,486,456
Fund Balance - Ending	$ 35,284,797	$ 928,306	$ 22,927,164

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

Building	Special Reserve Capital Outlay	Non-Major Governmental Funds	Total Governmental
$ -	$ -	$ 10,682,384	$ 177,228,789
-	-	10,051,239	63,975,363
-	-	4,861,281	71,748,463
491,994	391,969	16,039,232	30,713,357
491,994	391,969	41,634,136	343,665,972
-	-	7,800,285	170,965,075
-	-	1,627,377	18,482,819
-	-	66,986	1,532,833
-	-	801,468	18,851,881
-	-	-	4,840,090
-	-	10,905,365	11,741,828
-	-	357,824	44,067,058
-	-	-	2,113,299
-	2,289,083	1,314,808	16,209,232
6,825	42,637	3,086,459	22,070,001
15,573,008	386,235	4,478,304	21,107,833
-	-	-	1,248,064
-	-	-	648,309
-	-	26,974,781	29,100,648
-	-	-	162
-	-	-	-
-	-	3,585,272	3,884,284
-	46,089	10,200,966	10,288,489
15,579,833	2,764,044	71,199,895	377,151,905
(15,087,839)	(2,372,075)	(29,565,759)	(33,485,933)
-	5,734,438	4,107,026	9,841,464
-	-	27,585,000	27,585,000
-	-	-	69,766
15,000,000	-	-	15,000,000
-	(2,489,265)	-	(9,841,464)
15,000,000	3,245,173	31,692,026	42,654,766
(87,839)	873,098	2,126,267	9,168,833
26,646,019	21,924,336	41,473,310	142,926,625
$ 26,558,180	$ 22,797,434	$ 43,599,577	$ 152,095,458

POMONA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

Total Net Change in Fund Balances - Governmental Funds		$ 9,168,833
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities. This is the amount by which capital outlay exceeds depreciation in the period.		
Capital outlay	$20,499,795	
Depreciation expense	(7,209,369)	13,290,426
In governmental funds, donated capital assets are not reported because they do not affect current financial resouces. In the government-wide statements, donated capital assets are reported as revenue and as increases to capital assets, at their fair market value on the date of donation.		4,543,284
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets.		(69,766)
In the statement of activities, certain operating expenses - early retirement incentive - are measured by the amounts incurred during the year. However, in the governmental funds expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The amount of the early retirement incentive paid was $5,664,425.		5,664,425
In the statement of activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. However, in the governmental funds expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by $4,428.		(4,428)
Revenue that does not meet the "availability" criterion of the modified accrual basis of accounting is deferred in governmental funds.		(75,000)
Proceeds received from sale of general obligation bonds are revenues in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.		(15,000,000)
Proceeds received from refunding lease revenue bonds are revenues in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.		(27,585,000)
Governmental funds report the effect of the deferred amount on refunding when the debt is first issued, whereas the amount is deferred and amortized in the statement of activities.		413,996
Lease revenue recognized under modified accrual basis on a sale-leaseback transaction where the leaseback is an capital lease is deferred and recognized over the term of the lease under the accrual basis.		545,150

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

POMONA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2005

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of cost of issuance	$ 192,345	
Amortization of deferred amount on refunding	(61,141)	
Combined adjustment		$ 131,204
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		3,550,000
Repayment of lease revenue bonds principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		26,555,000
Repayment of capital leases is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		334,117
Repayment of state school building loans are an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. In addition, interest accrues on the state school building loan. The net change in the loan is $167.		167
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of accrued interest on the general obligation bonds, lease revenue bonds, and capital lease obligations increased by $97,693.		97,693
An internal service fund is used by the District's management to charge the costs of the unemployment compensation and the property and liability insurance programs to the individual funds. The net loss of the internal service fund is reported with governmental activities.		3,801,835
Change in Net Assets of Governmental Activities		$ 25,361,936

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

POMONA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 20,163,819
Receivables	143,590
Prepaid expenditures	560,585
Total Current Assets	20,867,994
LIABILITIES	
Current Liabilities	
Accounts payable	506,716
Claims liability	11,869,227
Total Current Liabilities	12,375,943
NET ASSETS	
Unrestricted	8,492,051
Total Net Assets	$ 8,492,051

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

POMONA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds	$ 7,509,233
Total Operating Revenues	7,509,233
OPERATING EXPENSES	
Payroll costs	255,337
Professional and contract services	3,829,797
Supplies and materials	34,677
Total Operating Expenses	4,119,811
Operating Income	3,389,422
NONOPERATING REVENUES	
Interest income	412,413
Total Nonoperating Revenues	412,413
Change in Net Assets	3,801,835
Total Net Assets - Beginning	4,690,216
Total Net Assets - Ending	$ 8,492,051

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

POMONA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 7,422,564
Cash payments to employees for services	(255,337)
Cash payments for insurance premiums and claims	(7,932,354)
Cash payments for goods and services	(34,677)
Net Cash Used by Operating Activities	(799,804)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	412,413
Net decrease in cash and cash equivalents	(387,391)
Cash and cash equivalents - Beginning	20,551,210
Cash and cash equivalents - Ending	$ 20,163,819
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating income	$ 3,389,422
Changes in assets and liabilities:	
Receivables	(86,669)
Prepaid expenditures	(13,746)
Accounts payable	266,920
Claims liability	(4,355,731)
Net Cash Used by Operating Activities	$ (799,804)

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

POMONA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	Agency Funds
ASSETS	
Deposits and investments	$ 414,738
Inventory	66,400
Receivables	846
Total Assets	$ 481,984
LIABILITIES	
Accounts payable	$ 42,076
Due to student groups	439,908
Total Liabilities	$ 481,984

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Pomona Unified School District was unified in 1954 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates twenty-seven elementary schools, six middle schools, seven high schools including two alternative high schools, an adult education program, and a child development program.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Pomona Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component units discussed below are reported in the District's financial statements because of the significance of their relationship with the District. The component units, although legally separate entities, are reported in the financial statements as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

The Pomona Valley Educational Joint Powers Authority's and the San Gabriel Valley Schools Financing Authority's (the "Entities") financial activity is presented in the financial statements as the 1994 Refunding Lease Revenue Bonds, the 1995 Lease Revenue Bonds, the 2001 Lease Revenue Bonds, the 1999 Lease Revenue Qualified Zone Academy Bonds, the 2000 Lease Revenue Qualified Zone Academy Bonds, and the 2002 Lease Revenue Qualified Zone Academy Bonds in the Component Unit Capital Projects Fund; and the 1994 Refunding Lease Revenue Bonds, the 1995 Lease Revenue Bonds, and the 2001 Lease Revenue Bonds in the Component Unit Debt Service Fund. Lease Revenue Bonds issued by the Entities are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Entities.

In addition, component units are other legally separate organizations for which the District is not financially accountable, but the nature and significances of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

Other Related Entities

Joint Powers Agencies and Public Entity Risk Pools The District is associated with two public entity risk pools and one joint powers agency. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 16 to the financial statements. These organizations are the Alliance of Schools for Cooperative Insurance Programs (ASCIP), the Schools Excess Liability Fund (SELF), and the San Antonio Regional Occupational Program (SAROP).

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

Child Development Special Revenue Fund The Child Development Special Revenue Fund is used to account for resources committed to child development programs maintained by the District.

Component Unit Capital Projects Fund The Component Unit Capital Projects Fund is used to account for projects funded by proceeds from the sales of lease revenue and qualified zone academy bonds.

Building Fund The Building Fund exists primarily to account separately for proceeds from sale of bonds and the acquisition of major governmental capital facilities and buildings.

Special Reserve Capital Outlay Fund The Special Reserve Capital Outlay Fund accumulates District funds so designated to be used for the acquisition, construction, or improvement of major capital facilities.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

Adult Education Fund The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

Cafeteria Fund The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

Deferred Maintenance Fund The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains the following debt service funds:

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, general obligation bonds, interest, and related costs.

Tax Override Fund The Tax Override Fund is used for the repayment of voted indebtedness tax levies to be financed from ad valorem tax levies.

Component Unit Debt Service Fund The Component Unit Debt Service Fund is used to account for the interest and redemption of principal of lease revenue bonds.

Capital Projects Funds The Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following capital projects funds:

Capital Facilities Fund The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

County School Facilities Fund The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates workers' compensation and property and liability insurance programs that are accounted for in internal service funds.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and 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 are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Proprietary Funds Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received generally within 90 days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Certain grants received before the eligibility requirements are met and recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2005, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Certain resources set aside for the repayment of the District's lease revenue bonds are classified as restricted assets on the Statement of Net Assets and Governmental Funds balance sheet. These assets are maintained in separate investment accounts and their use is limited by applicable debt covenant requirements.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. 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 expenditures when incurred.

Stores Inventory

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at the lower of cost or market, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

Deferred Charges and Amount on Refunding

Deferred charges consist of costs of issuance and refunding of long-term debt obligations. In the government-wide and proprietary funds financial statements, costs of issuance and costs of refunding (the difference between the reacquisition price and the net carrying value of the refunded debt) are capitalized and amortized over the life of the related debt as a component of interest expense using a method that approximates the effective interest method. In the governmental fund financial statements, these costs are reported as expenditures.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $25,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental-type activities columns of the statement of net assets.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability on the government-wide financial statements as the benefits are earned. For governmental funds, unpaid compensation absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties and other purposes.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Enabling legislation relates to laws passed that create a revenue source to be used for specific purposes. The government-wide financial statements report net assets restricted by enabling legislation of $75,921,405.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Changes in Accounting Principles

In March 2003, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 40, *Deposit and Investment Risk Disclosures an amendment of GASB Statement No. 3*. This Statement addressed common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in the Statement also should be disclosed. As such, the District has made the applicable required disclosures.

New Accounting Pronouncements

In November 2003, GASB issued GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes guidance for accounting and reporting for impairment of capital assets and for insurance recoveries, whether associated with an impaired capital asset or not. This Statement is effective for periods beginning after December 31, 2004, or during the 2005-2006 fiscal year.

In July 2004, GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2008. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In December 2004, GASB issued GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation.* This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as citizens, public interest groups, or the judiciary, can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.

This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2005.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2005, are classified in the accompanying financial statements as follows:

Governmental activities	$ 182,745,307 *
Fiduciary funds	414,738
Total Deposits and Investments	$ 183,160,045

Deposits and investments as of June 30, 2005, consist of the following:

Cash on hand and in banks	$ 2,078,523
Cash in revolving	430,000
Investments	180,651,522 *
Total Deposits and Investments	$ 183,160,045

* $2,994,906 of these balances represent Restricted Assets - Investments as reflected on the Statement of Net Assets.

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Average Days to Maturity
Money Market Mutual Funds	$ 24,860,797	8 days
County Treasury Investment Pool	156,163,443	132 days
Total	$ 181,024,240	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End	
			AAA	Unrated
Money Market Mutual Funds	$ 24,860,797	AAA	$ 24,860,797	$ -
County Treasury Investment Pool	156,163,443	N/A	-	156,163,443
Total	$ 181,024,240		$ 24,860,797	$ 156,163,443

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2005, the District's bank balance of $2,620,488 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in First American Treasury Obligations, the District has a custodial credit risk exposure of $24,860,797 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2005, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Child Development Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds
Federal Government					
Categorical aid	$ 3,262,032	$ 3,696,319	$ -	$ -	$ 2,797,987
State Government					
Apportionment	11,349,541	-	-	-	794,639
Categorical aid	2,195,910	377,274	-	-	168,729
Lottery	2,695,433	-	-	-	-
Local Government					
Interest	441,570	41,207	148,930	137,307	239,577
Other Local Sources	3,611,995	762,822	-	329	92,275
Total	$ 23,556,481	$ 4,877,622	$ 148,930	$ 137,636	$ 4,093,207

	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Federal Government			
Categorical aid	$ -	$ 9,756,338	$ -
State Government			
Apportionment	-	12,144,180	-
Categorical aid	-	2,741,913	-
Lottery	-	2,695,433	-
Local Government			
Interest	143,590	1,152,181	-
Other Local Sources	-	4,467,421	846
Total	$ 143,590	$ 32,957,466	$ 846

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 33,687,304	$ 1,846,943	$ -	$ 35,534,247
Construction in process	12,262,372	23,196,136	19,337,870	16,120,638
Total Capital Assets Not Being Depreciated	45,949,676	25,043,079	19,337,870	51,654,885
Capital Assets Being Depreciated				
Land improvements	12,409,759	-	-	12,409,759
Buildings and improvements	226,063,294	18,793,485	-	244,856,779
Furniture and equipment	7,118,168	544,385	-	7,662,553
Total Capital Assets Being Depreciated	245,591,221	19,337,870	-	264,929,091
Less Accumulated Depreciation				
Land improvements	6,446,063	432,971	-	6,879,034
Buildings and improvements	60,191,152	6,130,298	-	66,321,450
Furniture and equipment	3,484,471	646,100	-	4,130,571
Total Accumulated Depreciation	70,121,686	7,209,369	-	77,331,055
Governmental Activities Capital Assets, Net	$ 221,419,211	$ 37,171,580	$ 19,337,870	$ 239,252,921

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 6,488,432
Home-to-school transportation	216,281
All other pupil services	288,375
Plant services	216,281
Total Depreciation Expenses Governmental Activities	$ 7,209,369

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2005, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

Due To	Due From: Child Development
General	$ 1,759,116

The balance of $1,759,116 is due to the General Fund from the Child Development Fund for indirect charges.

The amounts resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2005, consisted of the following:

	Transfer From			
Transfer To	General	Special Reserve Capital Outlay	Component Unit Capital Projects	Total
Special Reserve Capital Outlay	$ 5,734,438	$ -	$ -	$ 5,734,438
Non-Major Governmental	1,617,752	2,489,265	9	4,107,026
Total	$ 7,352,190	$ 2,489,265	$ 9	$ 9,841,464

The General Fund transferred to the Deferred Maintenance Fund for the required District match.	$ 1,617,752
The General Fund transferred to the Special Reserve Capital Projects Fund for debt service payments.	5,350,000
The General Fund transferred to the Special Reserve Capital Projects Fund for FEMA program funds.	384,438
The Component Unit Capital Projects Fund transferred to the Component Unit Debt Service Fund for debt service payments.	9
The Special Reserve - Capital Outlay Fund transferred to the Component Unit Debt Service Fund for debt service payments.	2,489,265
Total	$ 9,841,464

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - PREPAID EXPENDITURES

Prepaid expenditures for the fiscal year ended June 30, 2005, was as follows:

	Internal Service
Insurance premium	$ 560,585

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2005, consisted of the following:

	General	Child Development	Building	Special Reserve Capital Outlay	Non-Major Governmental Funds
Salaries and benefits	$17,162,006	$ 914,549	$ -	$ -	$ 685,430
State apportionment	-	714,999	-	-	-
Books and supplies	799,927	-	-	-	-
Services and other operating expenses	451,243	156,371	-	32,379	433,416
Construction	-	-	2,823,404	-	-
Early retirement program	3,383,867	-	-	-	-
Other vendor payables	4,452,634	2,987,502	716,193	40,269	685,714
Total	$26,249,677	$ 4,773,421	$3,539,597	$ 72,648	$ 1,804,560

	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Salaries and benefits	$ 17,954	$ 18,779,939	$ -
State apportionment	-	714,999	-
Books and supplies	-	799,927	-
Services and other operating expenses	480,553	1,553,962	-
Construction	-	2,823,404	-
Early retirement program	-	3,383,867	-
Other vendor payables	8,209	8,890,521	42,076
Total	$ 506,716	$ 36,946,619	$ 42,076

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2005, consists of the following:

	General	Child Development	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 3,546,178	$ -	$ 1,252	$ 3,547,430
State categorical aid	3,676,960	-	-	3,676,960
Other local sources	12,210	1,091,650	-	1,103,860
Total	$ 7,235,348	$ 1,091,650	$ 1,252	$ 8,328,250

NOTE 9 - SALE LEASEBACK

On May 26, 2004, the District entered into an agreement for the sale and leaseback of the District's Village Tower property (land and building) and vacant land at 855 East Phillips Avenue with Valley Academies Foundation (Academy), a non-profit corporation. The properties sold had a book value of $255,000 and $250,500, respectively. Under the terms of the agreement, the Academy purchased the Village Tower property and vacant land for total consideration of $5,957,000 and the District entered into a ten-year lease for use and occupancy of the properties. The Adult Education will occupy the Village Tower property and Cafeteria will occupy the vacant land at 855 East Phillips and construct a central kitchen on the site. Both leases qualify for capital lease accounting treatment. The resulting $5,451,500 gain on the sale of the properties will be deferred and recorded as a non-current liability. The gain will be recognized into income on a straight-line basis over the lease term. The amortized balance at June 30, 2005, is $4,906,350. At June 30, 2005, the District also had receivable balances due from the Academy, as consideration for the sale of property, of $600,000 (long-term note receivable.)

NOTE 10 - LONG-TERM LIABILITIES

Long-Term Liabilities Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due in One Year
General obligation bonds	$ 136,325,000	$ 15,000,000	$ 3,035,000	$ 148,290,000	$ 3,665,000
Lease revenue bonds	37,310,000	27,585,000	27,070,000	37,825,000	770,000
Accumulated vacation - net	673,048	4,428	-	677,476	-
Capital leases	1,323,064	69,766	334,117	1,058,713	352,835
Early retirement incentive	9,048,292	-	5,664,425	3,383,867	3,383,867
State school building loans	1,182	-	167	1,015	272
	$ 184,680,586	$ 42,659,194	$ 36,103,709	$ 191,236,071	$ 8,171,974

General Obligation Bonds

The District has issued various general obligation bonds to finance the acquisition, construction and rehabilitation of school facilities and to refund prior debt. Debt service payments on the general obligation bonds are made from the Bond Interest and Redemption Fund with local revenues from property tax levy.

General Obligation Refunding Bonds, Series 1997A

On February 1, 1997, the District issued $52,085,000 aggregate original principal amount of General Obligation Refunding Bonds, Series 1997A in order to advance refund the prior outstanding General Obligation Bonds, Election of 1991, Series A-F. The bonds mature through August 1, 2019 with interest rates ranging from 4.80 to 6.50 percent. At June 30, 2005, the principal balance outstanding was $43,370,000.

2000 General Obligation Refunding Bonds, Series A

On September 24, 1999, the District issued $21,485,000 aggregate original principal amount of 2000 General Obligation Refunding Bonds, Series A in order to advance refund the prior outstanding General Obligation Bonds, Election of 1998, Series A and B. The bonds mature through August 1, 2029 with interest rates ranging from 5.10 to 6.60 percent. At June 30, 2005, the principal balance outstanding was $9,210,000.

General Obligation Bonds Election 1998, Series D

On December 18, 2000, the District issued $10,000,000 aggregate original principal amount of General Obligation Bonds, Election of 1998, Series D to finance the repair and rehabilitation of existing facilities and the construction and acquisition of new classrooms. The bonds mature through August 1, 2031 with interest rates ranging from 4.60 to 7.60 percent. At June 30, 2005, the principal balance outstanding was $20,060,000.

2001 General Obligation Refunding Bonds, Series A

On June 1, 2001, the District issued $24,105,000 aggregate original principal amount of 2001 General Obligation Refunding Bonds, Series A in order to advance refund the prior outstanding General Obligation Bonds, Election of 1998, Series C. The bonds mature through February 1, 2031 with interest rates ranging from 4.10 to 6.15 percent. At June 30, 2005, the principal balance outstanding was $21,365,000.

General Obligation Bonds Election 2002, Series A

On July 17, 2002, the District issued $10,000,000 aggregate original principal amount of General Obligation Bonds, Election of 2002, Series A. The bond issues are part of a $68,000,000 authorization as approved pursuant to an election of District voters on March 5, 2002. The bonds were issued to finance the repair, construction, acquisition, and equipping of new and existing school facilities. The bonds mature through August 1, 2026 with interest yields from 4.00 to 5.00 percent. At June 30, 2005, the principal balance outstanding was $9,535,000.

General Obligation Bonds Election 2002, Series B

On May 1, 2003, the District issued $15,000,000 aggregate original principal amount of General Obligation Bonds, Election of 2002, Series B. The bond issues are part of a $68,000,000 authorization as approved pursuant to an election of District voters on March 5, 2002. The bonds were issued to finance the repair, construction, acquisition, and equipping of new and existing school facilities. The bonds mature through August 1, 2027 with interest yields from 3.00 to 6.00 percent. At June 30, 2005, the principal balance outstanding was $14,750,000.

General Obligation Bonds Election 2002, Series C

On May 12, 2004, the District issued $15,000,000 aggregate original principal amount of General Obligation Bonds, Election of 2002, Series C. The bond issues are part of a $68,000,000 authorization as approved pursuant to an election of District voters on March 5, 2002. The bonds were issued to finance the repair, construction, acquisition, and equipping of new and existing school facilities. The bonds mature through August 1, 2028 with interest yields from 4.00 to 5.00 percent. The District received net proceeds of $15,000,000 (including premium of $115,742 and after payment of $115,742 in underwriter fees, insurance, and other issuance costs). At June 30, 2005, the principal balance outstanding was $15,000,000.

General Obligation Bonds Election 2002, Series D

On May 24, 2005, the District issued $15,000,000 aggregate original principal amount of General Obligation Bonds, Election of 2002, Series D. The bond issues are part of a $68,000,000 authorization as approved pursuant to an election of District voters on March 5, 2002. The bonds were issued to finance the repair, construction, acquisition, and equipping of new and existing school facilities. The bonds mature through August 1, 2029 with interest yields from 2.70 to 4.33 percent. At June 30, 2005, the principal balance outstanding was $15,000,000.

Bonded Debt

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund with local revenues.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2004	Issued	Redeemed	Bonds Outstanding June 30, 2005
2/1/1997	2019	4.80 to 6.50	$ 52,085,000	$ 44,950,000	$ -	$ 1,580,000	$ 43,370,000
9/24/1999	2029	5.10 to 6.60	21,485,000	20,005,000	-	330,000	19,675,000
12/18/2000	2031	4.60 to 7.60	10,000,000	9,740,000	-	145,000	9,595,000
6/1/2001	2031	4.10 to 6.15	24,105,000	21,860,000	-	495,000	21,365,000
7/18/2003	2026	4.00 to 5.04	10,000,000	9,770,000	-	235,000	9,535,000
5/19/2003	2027	3.00 to 6.00	15,000,000	15,000,000	-	250,000	14,750,000
5/12/2004	2028	4.00 to 4.80	15,000,000	15,000,000	-	-	15,000,000
5/15/2005	2029	3.38 to 6.38	15,000,000	-	15,000,000	-	15,000,000
				$136,325,000	$15,000,000	$ 3,035,000	$148,290,000

Debt Service Requirements to Maturity

The bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2006	$ 3,665,000	$ 7,755,322	$ 11,420,322
2007	4,400,000	7,796,967	12,196,967
2008	4,865,000	7,559,824	12,424,824
2009	5,290,000	7,295,569	12,585,569
2010	5,760,000	6,999,812	12,759,812
2011-2015	36,550,000	29,543,935	66,093,935
2016-2020	35,110,000	18,616,158	53,726,158
2021-2025	25,870,000	10,897,748	36,767,748
2026-2030	25,370,000	3,673,341	29,043,341
2031	1,410,000	72,699	1,482,699
Total	$ 148,290,000	$ 100,211,375	$ 248,501,375

Lease Revenue Bonds

1994 Refunding Lease Revenue Bonds

On February 1, 1994, the District issued $15,550,000 aggregate original principal amount of 1994 Refunding Lease Revenue Bonds in order to advance refund the 1990 Capital Appreciation Lease Revenue Bonds of the District. The bonds mature through January 1, 2024 with interest rates ranging from 4.50 to 6.25 percent. At June 30, 2005, the principal balance outstanding was $12,985,000.

1995 Lease Revenue Bonds

On December 1, 1995, the District issued $15,600,000 aggregate original principal amount of 1995 Lease Revenue Bonds to provide funds to construct phase one of the Diamond Ranch High School and to provide adequate housing through site acquisition, development, and the purchase of classrooms. The bonds mature through January 1, 2026 with interest rates ranging from 4.60 to 6.50 percent. At June 30, 2005, the principal balance outstanding was $14,335,000.

2001 Lease Revenue Bonds

On September 20, 2001, the District issued $11,225,000 aggregate original principal amount of 2001 Lease Revenue Bonds. The bonds were issued to finance the repair, construction, acquisition, and equipping of new and existing school facilities. The bonds mature through August 1, 2027 with interest yields from 3.50 to 4.875 percent. At June 30, 2005, the principal balance outstanding was $10,505,000.

Payments on the lease revenue bonds are made by the Component Unit Debt Service Fund with amounts transferred from the Special Reserve - Capital Outlay Fund.

The outstanding lease revenue bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2004	Issued	Redeemed	Bonds Outstanding June 30, 2005
2/1/1994	2019	4.500 to 6.250	$ 15,550,000	$ 12,645,000	$ -	$12,645,000	$ -
12/1/1995	2031	4.600 to 6.500	15,600,000	13,910,000	-	13,910,000	-
9/20/2001	2026	3.500 to 4.875	11,225,000	10,755,000	-	250,000	10,505,000
10/13/2004	2024	3.000 to 4.375	13,250,000	-	13,250,000	265,000	12,985,000
1/19/2005	2026	3.000 to 4.375	14,335,000	-	14,335,000	-	14,335,000
				$ 37,310,000	$27,585,000	$27,070,000	$ 37,825,000

Debt Service Requirements to Maturity

The bonds mature through fiscal year 2027 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2006	$ 770,000	$ 1,486,103	$ 2,256,103
2007	1,145,000	1,475,136	2,620,136
2008	1,295,000	1,439,149	2,734,149
2009	1,335,000	1,398,586	2,733,586
2010	1,390,000	1,356,509	2,746,509
2011-2015	7,815,000	6,051,214	13,866,214
2016-2020	9,820,000	4,405,613	14,225,613
2021-2025	11,450,000	2,069,017	13,519,017
2026-2027	2,805,000	138,190	2,943,190
Total	$ 37,825,000	$ 19,819,517	$ 57,644,517

Prior-Year Defeasance of Debt

In prior years, the District defeased the outstanding balance of certain prior bonds by placing available resources or the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the prior bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2005, the outstanding balance of defeased bonds are as follows:

Defeased Debt Issue	Defeased Debt Outstanding June 30, 2005
General Obligation Bonds, Election of 1991, Series A	$ 4,410,000
General Obligation Bonds, Election of 1991, Series B	9,100,000
General Obligation Bonds, Election of 1991, Series C	18,680,000
General Obligation Bonds, Election of 1991, Series D	2,250,000
General Obligation Bonds, Election of 1991, Series E	5,795,000
General Obligation Bonds, Election of 1991, Series F	5,805,000
General Obligation Bonds, Election of 1991, Series G	8,630,000
General Obligation Bonds, Election of 1998, Series A	9,210,000
General Obligation Bonds, Election of 1998, Series B	14,245,000
General Obligation Bonds, Election of 1998, Series C	14,265,000
1999 Lease Revenue QZAB Bonds	12,000,000
2000 Lease Revenue QZAB Bonds	12,000,000
2002 Lease Revenue QZAB Bonds	6,000,000
	$ 122,390,000

Accumulated Unpaid Employee Vacation

Accumulated unpaid employee vacation for the District at June 30, 2005, amounted to $677,476. The accrued vacation will be paid by the fund for which the employee worked.

Capital Leases

Payments on the capital leases will be made by the General and Child Development Funds.

The District's liability on lease agreements with options to purchase are summarized below:

	General Fund Equipment
Balance, June 30, 2004	$ 6,819,801
Additions	83,891
Payments	(5,772,445)
Balance, June 30, 2005	$ 1,131,247

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2006	$ 353,015
2007	278,289
2008	124,943
2009	75,000
2010	75,000
2011-2015	225,000
Total	1,131,247
Less: Amount Representing Interest	72,534
Present Value of Minimum Lease Payments	$ 1,058,713

Early Retirement Incentive

The District offered an early retirement incentive to eligible employees. The total outstanding at June 30, 2005, was $3,383,867. The early retirement incentive will be paid by the General Fund.

Year Ending June 30,	Lease Payment
2006	$ 3,383,867

State and Public School Building Loans

The State school building loan payments are made by the Tax Override Fund.

State school building loans outstanding as of June 30, 2005, are as follows:

Year Disbursed	Interest Rate	Balance July 1, 2004	Repayment and State Credit Current Year	Outstanding June 30, 2005
1986-87	4.9%	$ 1,182	$ 167	$ 1,015

The State and Public School Building Loans are secured by all sites purchased and improved, all equipment purchased, and all buildings constructed, reconstructed, altered, or added to through the expenditure of such funds in accordance with Section 16019 of the Education Code. Annual repayment is determined by the State Controller in accordance with Section 16214 of the Education Code.

NOTE 11 - FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

	General	Child Development	Component Unit Capital Projects	Building	Special Reserve Capital Outlay
Reserved					
Revolving cash	$ 150,000	$ -	$ -	$ -	$ -
Stores inventory	223,937	-	-	-	-
Restricted programs	14,877,277	-	-	-	-
Total Reserved	15,251,214	-	-	-	-
Unreserved					
Designated					
Economic uncertainties	4,801,959	-	-	-	-
Other designations	15,231,624	928,306	-	26,558,180	22,797,434
Total Designated	20,033,583	928,306	-	26,558,180	22,797,434
Undesignated					
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	22,927,164	-	-
Total Undesignated	-	-	22,927,164	-	-
Total Unreserved	20,033,583	928,306	22,927,164	26,558,180	22,797,434
Total	$35,284,797	$ 928,306	$22,927,164	$26,558,180	$22,797,434

NOTE 11 - FUND BALANCES, Continued

	Non-Major Governmental	Total
Reserved		
Revolving cash	$ 5,000	$ 155,000
Stores inventory	131,507	355,444
Restricted programs	-	14,877,277
Total Reserved	136,507	15,387,721
Unreserved		
Designated		
Economic uncertainties	-	4,801,959
Other designations	33,407,202	98,922,746
Total Designated	33,407,202	103,724,705
Undesignated		
Debt service funds	10,055,868	10,055,868
Capital projects funds	-	22,927,164
Total Undesignated	10,055,868	32,983,032
Total Unreserved	43,463,070	136,707,737
Total	$ 43,599,577	$ 152,095,458

NOTE 12 - POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 15 years of service. Currently, 194 employees meet those eligibility requirements. The District contributes 50 percent of the amount of premiums incurred by certificated retirees and their dependents and 100 percent of the amount of premiums for classified retirees and their dependents. During the year, expenditures of $559,364 were recognized for retirees' health care benefits.

An actuarial study has not been performed to determine the accumulated future liability to the District.

NOTE 13 - RISK MANAGEMENT – CLAIMS

Description of Program

The District's risk management activities for property, liability, and workers' compensation exposures are recorded in the Internal Service Funds. The purpose of the funds is to administer property and liability, and workers' compensation insurance programs of the District on a cost-reimbursement basis. These funds account for the risk financing activities of the District, but do not constitute a transfer of risk from the District.

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. For 2004-2005, the District has purchased commercial insurance for its workers' compensation losses.

Trust Account

To facilitate the processing of claims, a revolving type of trust bank account was established. Claims arising are handled by the District's claims administrator who writes and issues checks in settlement of claims against the District. The $225,000 trust account is periodically reimbursed by the District.

Unpaid Claims Liabilities

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards; the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2003 to June 30, 2005 (in thousands):

	Workers' Compensation	Property and Liability	Total
Liability Balance, June 30, 2003	$ 11,361	$ 5,000	$ 16,361
Claims and changes in estimates	1,627	-	1,627
Claims payments	(1,763)	-	(1,763)
Liability Balance, June 30, 2004	11,225	5,000	16,225
Claims and changes in estimates	165	(2,082)	(1,917)
Claims payments	(2,414)	(25)	(2,439)
Liability Balance, June 30, 2005	$ 8,976	$ 2,893	$ 11,869
Assets available to pay claims at June 30, 2005	$ 15,567	$ 5,301	$ 20,868

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

STRS

Plan Description

The District contributes to the California 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 and disability benefits 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 STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2004-2005 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2005, 2004, and 2003, were $9,832,878, $10,734,346, and $11,338,446, respectively, and equal 100 percent of the required contributions for each year.

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 Laws. 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, CA 95814.

Funding Policy

Active plan members are required to contribute 10.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-2005 was 9.952 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2005, 2004, and 2003, were $3,647,428, $2,666,300, and $1,128,984, respectively, and equal 100 percent of the required contributions for each year.

Alternate Retirement System

The District contributes to the Public Agency Retirement System (PARS), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions and forfeitures of other participants' benefits that may be allocated to such participant's account.

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use the PARS as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 1.3 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

During the year, the District's required and actual contributions amounted to $41,733.

On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of $5,951,373 (4.517 percent of salaries subject to STRS). No contributions to PERS for the year ended June 30, 2005. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2005.

Construction Commitments

As of June 30, 2005, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
New construction projects		
Village Academy High	$ 166,040	09/30/05
Pantera Elementary	83,170	09/30/05
Village at Garey	40,189	09/30/05
Lorbeer Middle	226,007	12/31/05
Ganesha Village	9,726,644	01/31/06
Mission Elementary	1,293,053	08/31/06
Modernization projects		
Decker Elementary	116,673	09/30/06
Miscellaneous		
Diamond Ranch High School	41,082	10/31/05
	$ 11,692,858	

Commitment to Purchase Land

On November 22, 2000, the District entered into a Development and Disposition Agreement (DDA) with the City of Pomona (City) in which the District agreed to purchase from the City certain vacant land for the purpose of the District constructing a new school facility. For consideration of the land, the District agreed to a down payment of $295,000 (which was paid in August 2001), a payment at the close of escrow of $1,705,000 and an installment payment plan in the amount of $3,295,000 at 6.443 percent interest over a period of 22 years.

The property was involved in a litigation dispute with the former owner. As a result, the District and City decided on February 15, 2001, to enter into a lease agreement to extend the time period that the property would be sold for a period of three years. The lease agreement is for a period of three years at which time escrow is expected to close. The lease agreement calls for the same terms as the DDA agreement (i.e., $295,000 up front and the installment payment plan in the amount of $3,295,000). The $1,705,000 one-time payment will be due when escrow closes at the end of the three-year lease. During the three-year term of the lease, the City has given the District the authority to improve the site and construct a new school facility. The District is responsible for the cost of all improvements to the property, the utilities on the property, obtaining bodily injury and property damage insurance with a combined single limit of at least $1 million per occurrence and for any personal property taxes that may be assessed. The City waives any lien rights concerning the improvements and school facilities that are deemed the District's personal property. In addition, the City also disclaims any interest in the improvements and school facilities and agrees the improvements are exempt from execution, foreclosure, sale, levy, attachment, or distress for any rent due and that the improvements may be removed at any time without recourse.

In accordance with the lease agreement, all monies paid by the District to the City will be refunded to the District if the transfer of title does not occur. As a result, all monies paid to the City under the lease agreement, and prior to the transfer of title to the District, will be included in other assets (deposits on purchase) in the District's Component Unit Capital Projects Fund. Through June 30, 2005, the amount paid by the District to the City was $1,083,363.

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES, AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and Schools Excess Liability Fund (SELF), public entity risk pools, and the San Antonio Regional Occupational Program (SAROP) joint powers authority (JPA). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. Payments for vocational education programs are paid to the SAROP. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2005, the District made payments of $1,237,425, $213,817, and $150,779 to ASCIP, SELF, and SAROP, respectively, for services noted.

REQUIRED SUPPLEMENTARY INFORMATION

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POMONA UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts (GAAP Basis)		Actual	Variances - Positive (Negative) Final
Revenues	**Original**	**Final**	**(GAAP Basis)**	**to Actual**
Revenue limit sources	$ 165,815,115	$ 166,297,249	$ 166,546,405	$ 249,156
Federal sources	23,843,389	30,751,784	26,117,925	(4,633,859)
Other State sources	42,659,152	50,833,547	56,927,914	6,094,367
Other local sources	1,694,785	2,848,143	4,134,127	1,285,984
Total Revenues	234,012,441	250,730,723	253,726,371	2,995,648
Expenditures				
Current				
Instruction	146,332,391	165,995,698	153,366,345	12,629,353
Instruction related activities:				
Supervision of instruction	13,036,543	19,610,386	13,502,147	6,108,239
Instructional library, media, and technology	1,671,283	2,250,409	1,451,110	799,299
School site administration	18,060,508	18,617,800	18,050,413	567,387
Pupil services:				
Home-to-school transportation	5,662,899	5,751,828	4,840,090	911,738
All other pupil services	12,671,810	12,168,305	11,494,007	674,298
General administration:				
Data processing	2,064,149	2,072,461	2,113,299	(40,838)
All other general administration	9,903,797	9,445,894	10,817,723	(1,371,829)
Plant services	20,267,154	20,251,757	18,226,660	2,025,097
Facility acquisition and construction	278,623	277,017	569,805	(292,788)
Ancillary services	1,150,300	1,154,257	1,248,064	(93,807)
Community services	851,291	851,291	648,309	202,982
Other (outgo)	2,630,708	2,551,899	2,125,867	426,032
Enterprise services	-	-	162	(162)
Debt service				
Principal	623,160	632,722	275,397	357,325
Interest and other	-	-	37,494	(37,494)
Total Expenditures	235,204,616	261,631,724	238,766,892	22,864,832
Excess (Deficiency) of Revenues Over Expenditures	(1,192,175)	(10,901,001)	14,959,479	25,860,480
Other Financing Sources (Uses)				
Capital lease	-	-	69,766	69,766
Transfers out	(6,153,777)	(6,853,777)	(7,352,190)	(498,413)
NET FINANCING SOURCES (USES)	(6,153,777)	(6,853,777)	(7,282,424)	(428,647)
NET CHANGE IN FUND BALANCE	(7,345,952)	(17,754,778)	7,677,055	25,431,833
Fund Balance - Beginning	27,607,742	27,607,742	27,607,742	-
Fund Balance - Ending	$ 20,261,790	$ 9,852,964	$ 35,284,797	$ 25,431,833

POMONA UNIFIED SCHOOL DISTRICT

CHILD DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts (GAAP Basis)		Actual	Variances - Positive (Negative) Final
Revenues	**Original**	**Final**	**(GAAP Basis)**	**to Actual**
Federal sources	$ 31,062,204	$32,590,620	$ 27,806,199	$ (4,784,421)
Other State sources	10,677,102	11,058,582	9,959,268	(1,099,314)
Other local sources	13,028,436	13,276,125	9,326,728	(3,949,397)
Total Revenues	54,767,742	56,925,327	47,092,195	(9,833,132)
Expenditures				
Current				
Instruction	9,225,253	9,377,299	7,924,592	1,452,707
Instruction related activities:				
Supervision of instruction	3,211,055	3,469,977	3,353,295	116,682
Pupil services:				
Food services	800,922	779,141	836,463	(57,322)
All other pupil services	38,579,464	40,018,032	32,215,227	7,802,805
General administration:				
All other general administration	2,050,819	2,119,428	1,787,618	331,810
Plant services	822,704	1,168,047	707,420	460,627
Facility acquisition and construction	-	-	100,481	(100,481)
Debt service				
Principal	77,525	91,483	23,615	67,868
Interest and other	-	-	3,940	(3,940)
Total Expenditures	54,767,742	57,023,407	46,952,651	10,070,756
NET CHANGE IN FUND BALANCE	-	(98,080)	139,544	237,624
Fund Balance - Beginning	788,762	788,762	788,762	-
Fund Balance - Ending	$ 788,762	$ 690,682	$ 928,306	$ 237,624

APPENDIX B
FORM OF OPINION OF BOND COUNSEL

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APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

October 18, 2006

Board of Education
Pomona Unified School District
800 South Garey Avenue
Pomona, California 91766

OPINION: $13,000,000 Pomona Unified School District (County of Los Angeles, California) General Obligation Bonds, 2002 Election, Series E

Members of the Board of Education:

We have acted as bond counsel to the Pomona Unified School District (the "District") in connection with the issuance by the District of its Pomona Unified School District (County of Los Angeles, California) General Obligation Bonds, 2002 Election, Series E in the aggregate principal amount of $13,000,000 (the "Bonds"), under Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law") and under a resolution of the Board of Education of the District adopted on July 25, 2006 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

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

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

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

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

3. The Bonds have been duly issued by the District and are valid and binding general obligations of the District, and the County of Los Angeles is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property

within the District subject to taxation by the District, without limitation as to rate or amount.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

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APPENDIX C

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Pomona Unified School District (the "District") in connection with the issuance of $13,000,000 aggregate principal amount of Pomona Unified School District (County of Los Angeles, California) General Obligation Bonds, 2002 Election, Series E (the "Bonds"). The Bonds are being issued under a Resolution adopted by the Board of Education of the District on July 25, 2006 (the "Bond Resolution"). The District covenants and agrees as follows:

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

Section 2. Definitions. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate and not otherwise defined, the following capitalized terms have the following meanings:

"*Annual Report*" means any Annual Report provided by the District under, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Dissemination Agent*" means any Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. As of the date of this Disclosure Certificate, the District has not designated a Dissemination Agent.

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

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. As of the date of this Disclosure Certificate, the following is a complete list of all the National Repositories:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
Email: NRMSIR@FTID.com

Standard & Poor's J. J. Kenny Repository
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_repository@sandp.com

"Official Statement" means the final Official Statement, dated October 3, 2006, relating to the Bonds.

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

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

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

"*State Repository*" means 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 shall cause the Dissemination Agent to, not later than 9 months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2007, with the report for the 2005/06 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 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 in the same manner as for a Listed Event under Section 5(c).

(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 the appropriate State Repository, if any, 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 under this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed under 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) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing:

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

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

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

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

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

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

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

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

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.

Section 5. Reporting of Significant Events.

(a) Under 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 Bonds, if material:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

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

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

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

(6) Adverse tax opinions or events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders.

(8) Contingent or unscheduled bond calls.

(9) Defeasances.

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

(11) 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.

(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 State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Bond Resolution.

Section 6. Alternative Method of Filing. In lieu of filing an Annual Report with each Repository under Section 3 or a notice of a Listed Event under Section 5, the District or the Dissemination Agent may make such filing through the internet filing system which is maintained at DisclosureUSA.com (or such other central filing system as is approved by the Securities and Exchange Commission), in which event such filing need not also be made by the District or the Dissemination Agent directly with any Repository.

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

Section 8. Dissemination Agent. The District may (but is not required to), from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. 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), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

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

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

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

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

Section 10. 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 11. 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 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate if the District fails to comply with this Disclosure Certificate is an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: October 18, 2006

POMONA UNIFIED SCHOOL DISTRICT

By: ________________________________
Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	Pomona Unified School District
Name of Bond Issue:	$13,000,000 aggregate principal amount of Pomona Unified School District (County of Los Angeles, California) General Obligation Bonds, 2002 Election, Series E
Date of Issuance:	October 18, 2006

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.05 of the Resolution authorizing the issuance of the Bonds, adopted by the Board of Education of the District on July 25, 2006. The District anticipates that the Annual Report will be filed by _____________.

Dated:_____________

POMONA UNIFIED SCHOOL DISTRICT

By: ________________________________
Title:

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APPENDIX D
COUNTY OF LOS ANGELES

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LOS ANGELES COUNTY

General Information

Located along the southern coast of California, Los Angeles County covers about 4,084 square miles. It measures approximately 75 miles from north to south and 70 miles from east to west. The county includes Santa Catalina and San Clemente Islands, and is bordered by the Pacific Ocean and Ventura, Kern, San Bernardino and Orange Counties.

Almost half of the county is mountainous and some 14 percent is a coastal plain known as the Los Angeles Basin. The low Santa Monica Mountains and Hollywood Hills run east and west, and form the northern boundary of the Basin and the southern boundary of the San Fernando Valley. The San Fernando Valley terminates at the base of the San Gabriel Mountains whose highest peak is over 10,000 feet. Beyond this mountain range the rest of the county is a semi-dry plateau, the beginning of the vast Mojave Desert.

According to Los Angeles County in 2006, the 88 incorporated cities in the county cover about 1,430 square miles, or 35 percent of the county's total land area.

Population

Los Angeles County is the most populous county in the state. As of January 1, 2006 the population was 10,245,572. Virtually all of the population is located in the southern half of the county, with the northern half being the sparsely populated Mojave Desert.

EXHIBIT 1
POPULATION (CITIES OVER 100,000 POPULATION AND UNINCORPORATED AREAS)
LOS ANGELES COUNTY

Area	2003	2004	2005	2006
Total County (1)	9,966,200	10,103,000	10,226,506	10,245,572
Total Unincorporated	1,044,200	1,064,700	1,085,632	1,092,908
Total Incorporated	8,922,000	11,169,704	9,140,874	9,152,664
Burbank	104,400	105,400	106,739	106,879
Downey	111,600	112,800	113,607	113,063
El Monte	121,800	123,500	125,832	125,352
Glendale	202,500	205,300	207,007	206,308
Inglewood	116,800	117,600	118,164	118,112
Lancaster	125,900	129,200	133,703	138,392
Long Beach	480,400	487,100	491,564	409,166
Los Angeles	3,859,400	3,912,200	3,957,875	3,976,071
Norwalk	108,600	109,500	110,178	109,681
Palmdale	127,100	131,300	136,734	141,012
Pasadena	142,000	144,000	146,166	146,138
Pomona	156,300	158,400	160,815	161,850
Santa Clarita	162,700	164,900	167,954	167,412
South Gate	100,200	101,400	102,165	101,647
Torrance	144,200	146,200	147,405	147,108
West Covina	110,400	111,400	112,417	112,459
Other	2,747,700	2,778,100	2,802,549	2,872,014

(1) Totals may not add due to independent rounding.
Sources: U.S. Census and State of California, Department of Finance.

Industry

Total wage and salary employment in Los Angeles-Long Beach Metropolitan Statistical Area increased from 4,004,100 in 2004 to 4,024,100 in 2005. This represents an increase of 20,000 jobs, or 0.5 percent increase during the year.

Exhibit 2 lists employment by industry.

EXHIBIT 2
EMPLOYMENT BY INDUSTRY GROUP
ANNUAL AVERAGES
LOS ANGELES -LONG BEACH
Metropolitan Statistical Area (MSA) (1)

Type of Employment	2001	2002	2003	2004	2005
Total Farm	8,400	7,800	7,800	7,600	7,500
Total Non-Farm	4,073,600	4,026,800	3,982,900	3,996,500	4,016,600
Goods Producing	718,500	673,000	638,400	627,500	622,200
Natural Resources & Mining	3,800	3,700	3,800	3,800	3,700
Construction	136,800	134,500	134,600	140,200	148,200
Manufacturing	577,900	534,800	500,000	483,600	470,400
Service Providing	3,355,100	3,353,800	3,344,700	3,369,000	3,394,400
Trade, Transportation & Utilities	789,800	782,700	774,900	781,600	792,700
Information	226,300	207,300	202,300	211,900	209,600
Financial Activities	228,900	232,600	239,800	241,600	243,700
Professional & Business Services	588,000	575,000	559,900	562,400	571,500
Educational & Health Services	432,200	450,400	460,400	467,000	469,700
Leisure & Hospitality	348,500	354,200	362,600	372,800	377,400
Other Services	143,200	145,600	145,500	144,700	146,000
Government	598,300	606,100	599,300	587,100	583,800
Total, all industries (2)	4,082,000	4,034,600	3,990,800	4,004,100	4,024,100

(1) Department of Labor publishes only PMSA statistics, not countywide statistics.
(2) Totals may not add due to independent rounding.
Source: State of California, Employment Development Department.

Agriculture

The overall gross value of agricultural crops and products for 2004 was $300,087,000, a decrease of 7% from the prior year. Nursery Products continues as the leading gross value commodity category, producing $192,600,000 in 2004.

Although a major metropolitan county with over 10 million residents, Los Angeles County produces a variety of crops, of which 13 are on the Million Dollar list.

Exhibit 3 shows a summary of major agricultural classifications over the last five years.

EXHIBIT 3
GROSS VALUE OF AGRICULTURAL PRODUCTION
COUNTY OF LOS ANGELES

Crop	2000	2001	2002	2003	2004
Nursery Products	$169,426,000	$171,307,000	$176,470,000	$179,289,000	$192,600,000
Vegetable Crops	56,307,000	47,296,000	66,403,000	101,438,000	70,028,000
Fruit & Nuts	28,113,000	23,699,000	18,660,000	18,637,000	19,080,000
Field Crops	8,756,000	10,048,000	8,680,000	8,535,000	9,327,000
Cut Flowers & Decoratives	759,000	739,000	647,000	667,000	1,091,000
Livestock Production	4,215,000	5,108,000	4,516,000	8,249,000	7,651,000
Apiary	614,000	396,000	587,000	767,000	303,000
Subtotal	$268,190,000	$258,245,000	$275,963,000	$317,582,000	$300,080,000
Forest Products	10,000	15,000	6,000	8,000	7,000
Grand Total	$268,200,000	$258,260,000	$275,969,000	$322,590,000	$300,087,000

Source: County of Los Angeles Agricultural Commissioner

Commercial Activity

Los Angeles County's taxable retail sales during 2000 through the first two quarters of 2005 are shown in the following table.

EXHIBIT 4
TAXABLE SALES (000)
LOS ANGELES COUNTY

Category	2000	2001	2002	2003	2004	2005*
Apparel Stores	$ 3,669,195	$ 3,812,218	$ 4,036,630	$ 4,356,666	$ 4,806,681	$ 2,415,780
General Merchandise	10,577,863	10,860,214	11,196,707	11,749,089	12,592,214	5,977,958
Specialty Stores	11,754,467	11,541,707	11,638,907	12,107,226	13,026,931	6,465,769
Food Stores	4,212,973	4,210,291	4,235,299	4,240,110	4,222,270	2,229,489
Eating and Drinking	9,716,805	10,081,425	10,541,880	11,151,772	12,035,694	6,338,171
Household	3,272,358	3,193,526	3,378,316	3,719,168	4,030,834	1,995,876
Building Material	4,821,940	5,069,789	5,528,888	6,016,548	7,310,663	3,561,243
Automotive	20,594,140	21,387,319	22,273,351	24,307,334	26,518,947	13,827,966
All Other Retail Stores	1,701,638	1,678,073	1,717,999	1,778,813	1,952,451	997,985
Retail Stores Total	$70,321,379	$71,834,562	$74,547,977	$79,426,726	$86,496,685	$43,810,237
Business & Personal Services	5,199,902	5,134,859	5,055,527	5,066,634	5,275,051	2,636,380
All Other Outlets	31,152,253	30,457,271	29,149,560	29,192,062	30,761,368	15,963,505
Total All Outlets	$106,673,534	$107,426,692	$108,753,064	$113,685,422	$122,533,104	$62,410,122

* First two quarters only.
Source: State of California, Board of Equalization.

Major Employers

The exhibit below displays the major employers in Los Angeles County, ranked by number of employees.

EXHIBIT 5
TOP TWENTY MAJOR EMPLOYERS
LOS ANGELES COUNTY

Employer	Employees	Industry
County of Los Angeles	93,354	Government
Los Angeles Unified School District	78,085	Education
United States Government (includes U. S. Postal Service)	56,100	Government
University of California, Los Angeles	36,354	Education
City of Los Angeles	35,895	Government
State of California (non-education)	32,300	Government
Kaiser Permanente	27,635	Health Care
Boeing Co.	23,468	Aerospace
Ralph's Grocery Co.	17,211	Retail
Long Beach Unified School District	14,000	Education
Bank of America	11,943	Financial Services
Walt Disney Company	11,200	Entertainment
Target	10,993	Retail
SBC (Pacific Bell)	10,670	Communications
CPE	10,245	Employment Services
Northrop Grumman Corp.	10,000	Aerospace
University of Southern California	9,297	Education
ABM Industries Inc.	9,250	Facility Services
Cedars-Sinai Medical Center	8,582	Health Care
Federated Department Stores Inc.	7,326	Retail

Source: Los Angeles Almanac, 2002.

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APPENDIX E
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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CIFG Assurance North America, Inc.
825 Third Avenue, Sixth Floor
New York, NY 10022
For information, contact (212) 909-3939
Toll-free (866) 243-4212

FINANCIAL GUARANTY INSURANCE POLICY

ISSUER: ____________________ Policy No.: CIFG NA-##

CUSIP: _____________________ Effective Date: _______, 200_

OBLIGATIONS: ____

CIFG ASSURANCE NORTH AMERICA, INC. ("CIFG NA"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY GUARANTEES to each Policyholder, subject only to the terms and conditions of this Policy (which includes each endorsement hereto), the full and complete payment by or on behalf of the Issuer of Regular Payments of principal of and interest on the Obligations.

For the further protection of each Policyholder, CIFG NA irrevocably and unconditionally guarantees:

(1) payment of any amount required to be paid under this Policy by CIFG NA following CIFG NA's receipt of notice and instruments of assignment as described in Endorsement No. 1 hereto and

(2) payment of the amount of any distribution of principal of and interest on the Obligations made during the Term of this Policy to such Policyholder that is subsequently avoided in whole or in part as a preference payment under applicable law, all as described in Endorsement No. 1 hereto.

CIFG NA shall be subrogated to the rights of each Policyholder to receive payments under the Obligations to the extent of any payment by CIFG NA hereunder. Upon disbursement in respect of an Obligation, CIFG NA shall become the owner of the Obligation, appurtenant coupon, if any, and all rights to payment of principal thereof or interest thereon.

The following terms shall have the meanings specified below, subject to and including any modifications set forth in any endorsement hereto, for all purposes of this Policy. "Effective Date," "Issuer" and "Obligations" mean, respectively, the Effective Date, Issuer and Obligations referenced above. "Policyholder" means, if the Obligations are in book-entry form, the registered owner of any Obligation as indicated on the registration books maintained by or on behalf of the Issuer for such purpose or, if the Obligations are in bearer form, the holder of any Obligation; *provided, however, that* any trustee acting on behalf of and for the benefit of such registered owner or holder shall be deemed to be the Policyholder to the extent of such trustee's authority. "Regular Payments" means payments of interest and principal which are agreed to be made during the Term of this Policy in accordance with the original terms of the Obligations when issued and without regard to any amendment or modification of such Obligations thereafter; payments which become due on an accelerated basis as a result of (a) a default by the Issuer or any other person, (b) an election by the Issuer to pay principal or other amounts on an accelerated basis or (c) any other cause, shall not constitute "Regular Payments" unless CIFG NA shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration. "Term of this Policy" has the meaning set forth in Endorsement No. 1 hereto.

This Policy sets forth in full the undertaking of CIFG NA, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto or to the Obligations (except a contemporaneous or subsequent agreement or instrument given by CIFG NA or to which CIFG NA has given its written consent) or by the merger, consolidation or dissolution of the Issuer. The premiums paid in respect of this Policy are nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Obligations prior to maturity. This Policy may not be cancelled or revoked during the Term of this Policy, including for nonpayment of premium due to CIFG NA. Payments under this Policy may not be accelerated except at the sole option of CIFG NA.

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

CIFG ASSURANCE NORTH AMERICA, INC.

By ____
Authorized Officer

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