

NEW ISSUE -- FULL BOOK-ENTRY**INSURED RATING: S&P: "AAA"
UNDERLYING RATING: S&P: "A-"**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 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, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$6,614,360.70 BASSETT UNIFIED SCHOOL DISTRICT (Los Angeles County, California) General Obligation Bonds Election of 2004, Series B	\$4,021,831.55 BASSETT UNIFIED SCHOOL DISTRICT (Los Angeles County, California) General Obligation Bonds Election of 2004, Series C
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Dated: Date of Delivery**Due: August 1, as shown on inside front cover**

The Bassett Unified School District General Obligation Bonds, Election of 2004, Series B (the "Series B Bonds") are being issued by Los Angeles County (the "County") on behalf of the Bassett Unified School District (the "District"). The Bassett Unified School District General Obligation Bonds, Election of 2004, Series C (the "Series C Bonds" and, together with the Series B Bonds, the "Bonds"), are being issued by the District. The Bonds were authorized at a special election of the registered voters of the District held on November 2, 2004, which authorized the issuance of \$23,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The District has previously issued its \$12,363,351.60 General Obligation Bonds, Election of 2004, Series A (the "Series A Bonds"), under the 2004 authorization.

The Bonds represent a general obligation of the District. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal (or Accreted Value) of and interest on the Bonds. The Series A Bonds are currently the only general obligation bonds of the District outstanding and are similarly secured by tax levies. All general obligation bonds are issued on a parity basis with one another.

The Series B Bonds may be issued as Current Interest Bonds and Capital Appreciation Bonds, as described herein. The Series C Bonds will be issued as Capital Appreciation Bonds. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. The Current Interest Bonds are dated the date of delivery of the Bonds and accrue interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2007. The Capital Appreciation Bonds will not bear current interest; each Capital Appreciation Bond will accrete in value daily over the term to its maturity. Payments of principal (or Accreted Value) and interest on the Bonds will be paid to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "APPENDIX F -- Book-Entry Only System."

The Series B Bonds that are Current Interest Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described herein. The Capital Appreciation Bonds are not subject to redemption prior to maturity.

The scheduled payment of principal (or Accreted Value) 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 Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company. See "MUNICIPAL BOND INSURANCE."

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

This cover page contains information for general reference only. It is not a summary of all the provisions of the Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall, A Professional Law Corporation, is also acting as Disclosure Counsel to the District. It is anticipated that the Bonds in definitive form will be available for delivery through the facilities of DTC on or about August 2, 2006.

George K. Baum & Company

MATURITY SCHEDULE

General Obligation Bonds Election of 2004, Series B

\$300,000 Current Interest Bonds

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Coupon</u>	<u>Reoffering Yield</u>
2009	\$10,000	3.850%	3.850%
2010	10,000	3.900	3.900
2014	10,000	4.000	4.150
2015	20,000	4.000	4.200
2016	30,000	4.000	4.250
2017	30,000	4.200	4.330
2018	35,000	4.200	4.380
2019	35,000	4.250	4.460
2020	45,000	4.300	4.530
2021	35,000	4.375	4.580
2022	40,000	4.400	4.630

\$5,700,000 5.250% Term Bonds due August 1, 2030; Yield: 4.580%^C

^C Priced to par call on August 1, 2016.

\$614,360.70 Denominational Amount (\$2,190,000 Final Accreted Value) Capital Appreciation Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Approximate Reoffering Yield To Maturity</u>	<u>Maturity Value</u>
2031	\$614,360.70	5.150%	\$2,190,000

General Obligation Bonds Election of 2004, Series C

\$4,021,831.55 Denominational Amount (\$25,605,000 Final Accreted Value) Capital Appreciation Bonds

<u>Maturity Date (August 1)</u>	<u>Denominational Amount</u>	<u>Reoffering Yield</u>	<u>Maturity Value</u>
2032	\$558,495.00	5.160%	\$2,100,000
2033	550,772.95	5.170	2,185,000
2034	542,257.60	5.180	2,270,000
2035	509,242.50	5.190	2,250,000
2036	482,377.50	5.200	2,250,000
2037	456,862.50	5.210	2,250,000
2038	394,153.50	5.220	2,050,000
2039	124,189.00	5.230	2,050,000
2040	114,062.00	5.240	2,050,000
2041	104,775.50	5.250	2,050,000
2042	96,247.50	5.250	2,050,000
2043	88,396.00	5.250	2,050,000

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 a contract between any bond owner and the District, the County or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District, the County or the Underwriter.

Involvement of Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as 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.

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

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

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

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

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

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.

**BASSETT UNIFIED SCHOOL DISTRICT
COUNTY OF LOS ANGELES
STATE OF CALIFORNIA**

GOVERNING BOARD

Paul Solano, *President*
Karina Moreno, *Vice President*
Rosaura Alvarado, *Clerk*
Frank Morales, *Member*
Robert Fuentes, *Member*

DISTRICT ADMINISTRATION

Robert Watanabe, *Superintendent*
James Ballard, *Assistant Superintendent of Business Services*

BOND and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Caldwell Flores Winters Inc.
Emeryville, California

PAYING AGENT

Los Angeles County Treasurer-Tax Collector
Los Angeles, California

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OFFICIAL STATEMENT

\$6,614,360.70
BASSETT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Bonds
Election of 2004, Series B

\$4,021,831.55
BASSETT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Bonds
Election of 2004, Series C

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of the two series of bonds captioned above (the "Bonds"). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Bond Resolutions (defined below).

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

The District

The Bassett Unified School District (the "District"), located in the eastern portion of Los Angeles County (the "County"), encompasses approximately 8 square miles and serves the communities of La Puente and Baldwin Park. The District currently operates four elementary schools, one magnet school, one academy, one high school, one continuation high school and one adult school. The District currently serves approximately 6,000 students.

Sources of Payment for the Bonds

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

Purpose of Issue

A portion of the proceeds of the Bonds will be used to redeem the Bassett Unified School District Bond Anticipation Notes, Series 2005, issued in the aggregate principal amount of \$10,360,000. Additional proceeds of the Bonds will be used to finance the renovation, construction and improvement of school facilities in the District. See "THE BONDS -- Purpose of Issue" and "SOURCES AND USES OF FUNDS" herein.

Description of the Bonds

Two separate series of bonds are being issued:

- Bassett Unified School District General Obligation Bonds, Election of 2004, Series B (the "Series B Bonds") and
- Bassett Unified School District General Obligation Bonds, Election of 2004, Series C (the "Series C Bonds" and together with the Series B Bonds, the "Bonds").

Current Interest and Capital Appreciation Bonds. The Series B Bonds may be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Series C Bonds will be issued as Capital Appreciation Bonds. The Current Interest Bonds will be dated the date of delivery and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple thereof. The Current Interest Bonds will mature on August 1 in the years indicated on the cover page hereof.

The Capital Appreciation Bonds will be dated the date of delivery thereof and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 Maturity Value (where the "Maturity Value" means the Accreted Value of a Capital Appreciation Bond on the date such Bond matures) and any integral multiple thereof. The Maturity Value of each Capital Appreciation Bond is equal to its accreted value ("Accreted Value"), being comprised of its initial principal amount ("Denominational Amount") and the compounded interest between the delivery date and its respective maturity or mandatory redemption date, if applicable.

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

Redemption. The Bonds are subject to redemption prior to maturity as described in "THE BONDS - Optional Redemption" and "- Mandatory Sinking Fund Redemption."

Legal Matters

Issuance of the Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, will serve as Disclosure Counsel to the District. *Payment of the fees of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Bonds.*

Tax Matters

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Bonds will not be includable in

gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also in the opinion of Bond Counsel, interest on the Bonds will be exempt from State of California (the "State") personal income taxes. See "TAX MATTERS."

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Education Code and Government Code of the State and pursuant to resolutions adopted by the Board of Education of the District and the Board of Supervisors of the County. See "THE BONDS - Authority for Issuance."

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to the legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about August 2, 2006.

Continuing Disclosure

The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See "CERTAIN LEGAL MATTERS - Continuing Disclosure."

Municipal Bond Insurance

Concurrently with issuance of the Bonds, Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company (the "Insurer") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds. The Policy unconditionally guarantees the payment of that portion of the principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds which has become due for payment, but which is unpaid. See "MUNICIPAL BOND INSURANCE" and "APPENDIX F – Specimen Municipal Bond Insurance Policy."

Other Information

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

Copies of documents referred to herein and information concerning the Bonds are available from the Superintendent, Bassett Unified School District, 904 North Willow Avenue, La Puente, California 91746. The District may impose a charge for copying, mailing and handling.

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

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be

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

THE BONDS

Authority for Issuance

The Series B Bonds are issued pursuant to the provisions of Section 15140 of the Education Code of the State (the "Education Act") and pursuant to resolutions adopted by the Board of Education of the District on May 25, 2006 and by the Board of Supervisors of the County on July 5, 2006 (collectively, the "Series B Resolution"). The Series C Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of title 5 of the Government Code of the State (with the Education Act, the "Act") and pursuant to a resolution adopted by the Board of Education of the District on May 25, 2006 (the "Series C Resolution" and, together with the Series B Resolution, the "Bond Resolutions").

The District received authorization at an election held on November 2, 2004, by a requisite 55% vote of the qualified electors to issue general obligation bonds in a principal amount not to exceed \$23,000,000 (the "Authorization"). The Bonds represent the second and third series of bonds within the Authorization. The District previously issued its \$12,363,351.60 General Obligation Bonds, Election of 2004, Series A (the "Series A Bonds"), under the Authorization. The Series A Bonds are payable on a parity basis with the Bonds.

The District sought approval for the Bonds by at least 55 percent of the voters of the District voting on the proposition under Proposition 39 approved at the general statewide election on November 2, 2004, which, among other things, amended Article XIII A of the California Constitution to allow the levy and collection of *ad valorem* property taxes to pay debt service on school district bonds approved by a 55 percent vote. Concurrent with the passage of Proposition 39, certain state laws were enacted relating to such 55 percent elections, including a provision requiring elections to being held on certain dates, including regularly scheduled local election dates.

Purpose of Issue

A portion of the proceeds of the Bonds will be used to redeem the Bassett Unified School District Bond Anticipation Notes, Series 2005 (the "Notes"), issued in the aggregate principal amount of \$10,360,000. The Notes are payable on September 1, 2006. The proceeds of the Notes were used and any additional proceeds of the Bonds will be used for the purposes specified in the ballot measure approved by the District's voters on November 2, 2004, including the acquisition, construction, equipping, repair, rehabilitation and upgrading of school facilities in the District.

Description of the Bonds

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "APPENDIX F – Book-Entry Only System."

Current Interest Bonds. Interest with respect to the Current Interest Bonds accrues from their date of delivery and is payable semiannually on February 1 and August 1 of each year (each, a "Bond Payment Date") commencing February 1, 2007. Each Current Interest Bond shall bear interest from the Bond Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of an Bond Payment Date, in which event it shall bear interest from such date, or (ii) it is registered and authenticated prior to a Bond Payment Date and after the close of business on the fifteenth (15th) day of the month preceding such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or (iii) it is registered and authenticated prior to January 15, 2007, in which event it shall bear interest from the date of delivery; *provided, however*, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Bond Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Current Interest Bonds, including the final interest payment upon maturity, is payable by check of the Paying Agent mailed on the Bond Payment Date via first-class mail to the Owner thereof at such Owner's address as it appears on the bond register maintained by the Paying Agent at the close of business on the fifteenth (15th) day of the month preceding the Bond Payment Date (the "Record Date"), or at such other address as the Owner may have filed with the Paying Agent for that purpose, or upon written request filed with the Paying Agent as of the Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Current Interest Bonds, by wire transfer.

The Current Interest Bonds shall be issued in the denomination of \$5,000 principal amount each or any integral multiple thereof. The Current Interest Bonds mature on August 1, in the years and amounts set forth on the cover page hereof.

Capital Appreciation Bonds. The Capital Appreciation Bonds are dated the date of delivery thereof and accrete interest from such date. The Capital Appreciation Bonds are payable only at maturity, according to the amounts set forth in the accreted value tables. See "APPENDIX A - Accreted Value Tables."

The Capital Appreciation Bonds shall not bear current interest; each Capital Appreciation Bond shall accrete in value daily over the term to its maturity, from its Denominational Amount on the date of delivery thereof to its stated Maturity Value at maturity thereof.

The interest portion of the Accreted Value of any Capital Appreciation Bond which is payable on the date of maturity shall represent interest accrued and coming due on such date. The Accreted Value of any Capital Appreciation Bond at maturity shall be payable by check mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the Office of the Paying Agent.

Paying Agent

The Los Angeles County Treasurer/Tax Collector will act as the registrar, transfer agent, and paying agent for the Bonds (the "Paying Agent"). As long as DTC is the registered owner of

the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice. See "APPENDIX F – Book-Entry Only System."

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

Optional Redemption

Series B Bonds. The Series B Bonds that are Capital Appreciation Bonds are not subject to redemption prior to their maturity dates.

The Series B Bonds that are Current Interest Bonds maturing on or before August 1, 2016 are not subject to redemption prior to their maturity dates. The Current Interest Bonds maturing on or after August 1, 2017 are subject to redemption at the option of the District, as a whole or in part and by lot within each maturity, from any source of available funds, on August 1, 2016 or on any Bond Payment Date thereafter at a price of par, with no premium, plus accrued interest represented thereby to the redemption date.

For the purpose of selection for optional redemption, Current Interest Bonds will be deemed to consist of \$5,000 portions, and any such portion may be separately redeemed.

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

Mandatory Sinking Fund Redemption

Series B Bonds. The Series B Bonds that are Capital Appreciation Bonds are not subject to mandatory sinking fund redemption prior to their maturity.

The Series B Bonds that are Current Interest Term Bonds are subject to mandatory sinking fund redemption prior to their maturity, by lot, without premium, on each August 1, in the years and in the amounts as set as follows:

The Current Interest Term Bonds maturing on August 1, 2030 are subject to mandatory sinking fund redemption in part by lot, on August 1 of each year, commencing August 1, 2024 and on each August 1 thereafter in accordance with the schedule set forth below. The Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such Bonds to be redeemed, plus accrued but unpaid interest, without premium.

<u>Redemption Year</u>	<u>Principal Amount</u>
2024	\$ 45,000
2025	55,000
2026	55,000
2027	60,000
2028	1,660,000
2029	1,825,000
2030 (maturity)	2,000,000

Series C Bonds. The Series C Bonds are not subject to mandatory sinking fund redemption prior to their maturity.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all Outstanding Bonds of a Series are to be redeemed, the Paying Agent shall select Bonds for redemption in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such a manner as the Paying Agent shall determine; *provided, however*, that the portion of any Current Interest Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof.

Notice of Redemption

The Paying Agent is required to give notice of the redemption of the Bonds, at the expense of the District. Notice of any redemption of Bonds shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, together with the interest accrued to the redemption date in the case of the Capital Appreciation Bonds, and that from and after such date, interest with respect thereto shall cease to accrete in value.

Neither failure to receive or failure to send any notice of redemption nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds.

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of that Series of like tenor and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the County and the District shall be released and discharged thereupon from all liability to the extent of such payment

Registration, Transfer and Exchange of Bonds

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

If the book entry system is discontinued, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute owner of that Bond. Payment of the principal (or Accreted Value) of and interest on any Bond shall be made only to or upon the order of that person; neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided the Resolution.

Bonds may be exchanged at the principal office of the Paying Agent in Los Angeles, California for a like aggregate principal amount of Bonds of that Series of authorized denominations and of the same maturity; provided that Current Interest Bonds may only be exchanged for Current Interest Bonds, and Capital Appreciation Bonds may only be exchanged for Capital Appreciation Bonds. Any Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bonds Resolutions, 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, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to an Interest Payment Date or the date established by the Paying Agent for selection of Bonds for redemption until the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Bond after such Bond has been selected or called for redemption in whole or in part.

SECURITY FOR THE BONDS

General

The Bonds represent a general obligation of the District payable solely from certain property tax levies. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal (or Accreted Value) of and interest on the Bonds. Such taxes are required to be levied annually, in addition to all other taxes, during the period that any Bonds are outstanding in an amount sufficient to pay the principal (or Accreted Value) of and interest on the Bonds when due. Such taxes, when collected, will be deposited into debt service funds for each Series of the Bonds (each a "Debt Service Fund"), which are maintained by the County and which are created by statute for the payment of principal (or Accreted Value) of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of Bonds, and will maintain the Debt Service Funds pledged to the repayment of the Bonds, the Bonds are not a debt of the County. The moneys in the Debt Service Funds, to the extent necessary to pay the principal (or Accreted Value) of and interest on each Series of the Bonds as the same become due and payable, will be transferred by the County to the Paying Agent which, in turn, will pay such moneys to DTC to pay the principal (or Accreted Value) of and interest on the applicable Series of the Bonds. DTC will thereupon make payments of principal (or Accreted Value) of and interest on the Bonds to the DTC Participants who will thereupon make payments of principal (or Accreted Value) of and interest to the beneficial owners of the Bonds. See "APPENDIX F –Book-Entry Only System."

The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. A reduction in the assessed valuation of taxable property in the District caused by economic factors beyond the District's control, such as economic recession, slower growth, or deflation of land values, a relocation out of the District by one or more major property owners, or the complete or partial destruction of

such property caused by, among other eventualities, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of the District and necessitate an unanticipated increase in the annual tax levy.

Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

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 on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Tax Collector and Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing 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 lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California Constitution. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2005-06.

Table No. 1
BASSETT UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use

	2005-06 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial	\$ 53,848,969	4.33%	105	1.87%
Vacant Commercial	5,651,278	0.45	31	0.55
Industrial	343,165,896	27.59	126	2.24
Vacant Industrial	10,613,733	0.85	49	0.87
Recreational	3,162,861	0.25	2	0.04
Government/Social/Institutional	4,885,205	0.39	22	0.39
Miscellaneous	<u>7,910,226</u>	<u>0.64</u>	<u>93</u>	<u>1.65</u>
Subtotal Non-Residential	\$429,238,168	34.51%	428	7.61%
Residential:				
Single Family Residence	\$740,731,661	59.55%	4,873	86.63%
Condominium/Townhouse	25,867,066	2.08	120	2.13
Mobile Home Park	4,092,895	0.33	4	0.07
2-4 Residential Units	22,111,043	1.78	109	1.94
5+ Residential Units/Apartments	17,160,684	1.38	13	0.23
Vacant Residential	<u>4,636,582</u>	<u>0.37</u>	<u>78</u>	<u>1.39</u>
Subtotal Residential	\$814,599,931	65.49%	5,197	92.39
Total	\$1,243,838,099	100.00%	5,625	100.00%

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

Property within the District had a net taxable assessed valuation for fiscal year 2005-06 of \$1,354,328,567. Shown in the following table are the assessed valuations for the District for the past six fiscal years.

Table No. 2
BASSETT UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Year 2000-01 through Fiscal Year 2005-06

Fiscal Year	Local Secured	Utility	Unsecured	Total before Rdv Increment	Total After Rdv, Increment
2000-01	\$ 898,134,942	\$527,915	\$101,392,428	\$1,000,055,285	\$ 999,138,713
2001-02	957,883,098	568,140	140,208,343	1,098,659,581	1,098,480,536
2002-03	1,002,934,587	550,853	124,087,970	1,127,573,410	1,127,276,729
2003-04	1,067,376,585	660,343	122,700,169	1,190,737,097	1,190,442,767
2004-05	1,164,262,840	786,891	100,702,352	1,265,752,083	1,265,457,135
2005-06	1,243,838,099	744,044	111,413,117	1,355,995,260	1,354,328,567

Source: California Municipal Statistics, Inc.

The table below shows the assessed valuation categories of single family homes in the District. Of the 4,873 single family parcels, 971 parcels (19.9%) have a 2005-06 assessed valuation between \$25,000 and \$49,999.

Table No. 3
BASSETT UNIFIED SCHOOL DISTRICT
Per Parcel 2005-06 Assessed Valuation of Single Family Homes

	No. of <u>Parcels</u>	2005-06 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	4,873	\$740,731,661	\$152,007	\$153,833

2005-06 <u>Assessed Valuation</u>	No. of <u>Parcels (1)</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>	Total <u>Valuation</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>
\$0 - \$24,999	14	0.287%	0.287%	\$ 155,247	0.021%	0.021%
\$25,000 - \$49,999	971	19.926	20.213	38,939,039	5.257	5.278
\$50,000 - \$74,999	358	7.347	27.560	21,774,896	2.940	8.217
\$75,000 - \$99,999	267	5.479	33.039	23,539,271	3.178	11.395
\$100,000 - \$124,999	338	6.936	39.975	38,065,491	5.139	16.534
\$125,000 - \$149,999	406	8.332	48.307	56,066,482	7.569	24.103
\$150,000 - \$174,999	645	13.236	61.543	105,182,617	14.200	38.303
\$175,000 - \$199,999	588	12.066	73.610	109,935,575	14.841	53.145
\$200,000 - \$224,999	394	8.085	81.695	83,147,133	11.225	64.370
\$225,000 - \$249,999	263	5.397	87.092	62,421,446	8.427	72.797
\$250,000 - \$274,999	165	3.386	90.478	43,250,389	5.839	78.635
\$275,000 - \$299,999	126	2.586	93.064	36,147,295	4.880	83.515
\$300,000 - \$324,999	106	2.175	95.239	33,055,977	4.463	87.978
\$325,000 - \$349,999	75	1.539	96.778	25,236,696	3.407	91.385
\$350,000 - \$374,999	64	1.313	98.092	23,059,966	3.113	94.498
\$375,000 - \$399,999	35	0.718	98.810	13,543,177	1.828	96.326
\$400,000 - \$424,999	15	0.308	99.118	6,150,126	0.830	97.157
\$425,000 - \$449,999	7	0.144	99.261	3,039,592	0.410	97.567
\$450,000 - \$474,999	17	0.349	99.610	7,791,369	1.052	98.619
\$475,000 - \$499,999	6	0.123	99.733	2,891,370	0.390	99.009
\$500,000 and greater	13	0.267	100.000	7,338,507	0.991	100.000
Total	4,873	100.000%		\$740,731,661	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with single family units.

Source: California Municipal Statistics, Inc.

Table No. 4
BASSETT UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates (TRA 2179)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
City of Industry	.792500	.790000	.787500	.787500	.787500
Los Angeles County	.001128	.001033	.000992	.000923	.000795
Bassett Unified School District	-	-	-	-	.090513
Mt. San Antonio Community College	-	.019460	.015246	.014731	.021216
Los Angeles County Flood Control	.001073	.000881	.000462	.000245	.000049
Metropolitan Water District	.007700	.006700	.006100	.005800	.005200
General	<u>1.000000</u>	<u>1.000000</u>	<u>1.000000</u>	<u>1.000000</u>	1.000000
Total	1.802401	1.818074	1.810300	1.809199	1.905273

Source: California Municipal Statistics, Inc.

Property Tax Collections

The following table shows tax charges, collections and delinquencies for secured property in the District. Because the County does not participate in the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (commonly known as the "Teeter Plan"), secured property taxes actually collected are allocated to political subdivisions

for which the County acts as tax-levying or tax-collecting agency, including the District, when the secured property taxes were actually collected.

Table No. 5
BASSETT UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Year 2001-02 through Fiscal Year 2004-05

	Secured Tax Charge (1)	Amt. Delinquent June 30	% Delinquent June 30
2001-02	\$2,283,421	\$58,441	2.56%
2002-03	2,374,156	61,776	2.60
2003-04	2,495,664	54,913	2.20
2004-05	2,671,674	63,043	2.36

(1) 1% General Fund apportionment. Excludes redevelopment agency impounds.
Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20-largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2005-06.

Table No. 6
BASSETT UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Fiscal Year 2005-06

<u>Property Owner</u>	<u>Land Use</u>	2005-06 Assessed Valuation	% of Total (1)
Innsbruck GBK LP	Industrial	\$26,582,000	2.14%
Intex Realty Corp.	Industrial	23,351,938	1.88
CAL AZ Portfolio No. 1 LLC	Industrial	21,398,580	1.72
Joseph M. Sanchez III	Industrial	16,400,000	1.32
Sunkist Shopping Center Ltd.	Shopping Center	11,568,765	0.93
TMT Nelson and Freedom Way Inc.	Industrial	11,213,631	0.90
245 Vineland LLC	Industrial	10,404,000	0.84
Uni President (USA) Inc.	Industrial	9,720,173	0.78
Williamhouse of California Inc.	Industrial	9,117,836	0.73
McConnell Cabinets Inc.	Industrial	8,572,292	0.69
Sunrider Manufacturing LP	Industrial	8,322,732	0.67
SDC Towers Industrial Park Inc.	Industrial	7,743,390	0.62
Mason Way Partners	Industrial	7,564,512	0.61
Mabek Co.	Industrial	7,471,054	0.60
Steven L. Welch	Industrial	6,741,793	0.54
Coca Cola Bottling Co. of Los Angeles	Industrial	6,411,000	0.52
Arakelian Enterprises Inc.	Industrial	6,292,280	0.51
GC Acquisition Corp.	Industrial	6,283,530	0.51
Sonoco Products Co.	Industrial	6,188,302	0.50
Baldwin Nelson Assoc.	Industrial	6,104,180	0.49
Total		\$217,451,988	17.48%

(1) 2005-06 Local Secured Assessed Valuation: \$1,243,838,099
Source: California Municipal Statistics, Inc.

Debt Obligations

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated June 1, 2006. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

Table No. 7
BASSETT UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of June 1, 2006

2005-06 Assessed Valuation: \$1,355,995,260
Redevelopment Incremental Valuation: 1,666,693
Adjusted Assessed Valuation: \$1,354,328,567

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/06</u>
Los Angeles County	0.184%	\$15,447
Los Angeles County Flood Control District	0.184	235,226
Metropolitan Water District	0.093	362,295
Mt. San Antonio Community College District	3.181	3,467,794
Bassett Unified School District	100.	22,723,352 (1)
City of Industry	36.279	74,807,298
Los Angeles County Regional Park and Open Space		
Assessment District	0.184	<u>599,306</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$102,210,718
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.184%	\$2,331,762
Los Angeles County Pension Obligations	0.184	1,932,179
Los Angeles County Superintendent of Schools		
Certificates of Participation	0.184	40,084
City of Baldwin Park General Fund Obligations	0.719	106,772
City of Industry General Fund Obligations	36.279	3,765,760
City of West Covina General Fund Obligations	0.009	4,010
Los Angeles County Sanitation District No. 15 Authority	3.911	1,649,998
Los Angeles County Sanitation District No. 22 Authority	0.113	<u>24,295</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$9,854,860
Less: Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina Del Rey)		72,183
City of Baldwin Park Certificates of Participation (100% self-supporting from gas tax revenues)		<u>26,927</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$9,755,750
 GROSS COMBINED TOTAL DEBT		\$112,065,578 (2)
NET COMBINED TOTAL DEBT		\$111,966,468

(1) Includes the Notes to be redeemed, and excludes the Bonds to be sold.

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

Ratios to 2005-06 Assessed Valuation:

Direct Debt (\$22,723,352) 1.68%
Total Direct and Overlapping Tax and Assessment Debt 7.54%

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt 8.27%
Net Combined Total Debt 8.27%

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

Source: California Municipal Statistics, Inc.

Application and Investment of Bond Proceeds

Series B Bonds. The proceeds from the sale of the Series B Bonds, to the extent of the principal amount thereof, shall be paid to the County to the credit of the funds created and established in the Series B Resolution and known as the "Bassett Unified School District

General Obligation Bond, Election of 2004, Series B Building Fund" (the "Series B Building Fund"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Series B Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Series B Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund for the Series B Bonds and applied to the payment of principal (or Accreted Value) of and interest on the Series B Bonds. If, after payment in full of the Series B Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Series B Building Fund shall be retained in the Series B Building Fund.

The accrued interest and any premium received by the County from the sale of the Series B Bonds shall be kept separate and apart in the Debt Service Fund for the Series B Bonds and be used only for payment of principal (or Accreted Value) of and interest on the Series B Bonds. Interest earnings on the investment of monies held in the Debt Service Fund Series B shall be retained in the Debt Service Fund for the Series B Bonds and used by the County to pay the principal (or Accreted Value) of and interest on the Series B Bonds when due.

Series C Bonds. The proceeds from the sale of the Series C Bonds, to the extent of the principal amount thereof, shall be paid to the County to the credit of the funds created and established in the Series C Resolution and known as the "Bassett Unified School District General Obligation Bond, Election of 2004, Series C Building Fund" (the "Series C Building Fund" and, together with the Series B Building Fund, the "Building Funds"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Series C Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Series C Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund for the Series C Bonds and applied to the payment of Accreted Value of the Series C Bonds. If, after payment in full of the Series C Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Series C Building Fund shall be retained in the Series C Building Fund.

The accrued interest and any premium received by the County from the sale of the Series C Bonds shall be kept separate and apart in the Debt Service Fund for the Series C Bonds and be used only for payment of Accreted Value of the Series C Bonds. Interest earnings on the investment of monies held in the Debt Service Fund Series C shall be retained in the Debt Service Fund for the Series C Bonds and used by the County to pay the Accreted Value of the Series C Bonds when due.

Deposit of Funds. The proceeds of the Building Funds and the Debt Service Funds initially will be deposited in the County Treasury of the County. Under California law, the District is generally required to pay all monies received from any source into the Los Angeles County Treasury to be held on behalf of the District. The Treasurer has authority to implement and oversee the investment of funds on deposit in commingled funds of the Pooled Surplus Investment Fund of the County (the "County Pool"). Money on deposit in the Building Fund and the Debt Service Fund will be accounted for separately. It is anticipated that such funds will be invested by the Treasurer in the County Pool. See also "LOS ANGELES COUNTY INVESTMENT POOL" herein.

MUNICIPAL BOND INSURANCE

The following information has been furnished by Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company ("Financial Guaranty" or the "Insurer") for use in this Official Statement. Such information has not been independently confirmed or verified by the District. No representation is made herein by the District as to the accuracy or adequacy of such information subsequent to the date hereof, or that the information contained and incorporated herein by reference is correct.

The Insurer has supplied the following information for inclusion in this Official Statement. No representation is made by the District as to the accuracy or completeness of this information.

Payments Under the Policy

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

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

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

As a condition of its commitment to insure Bonds, Financial Guaranty may be granted

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

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

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

Financial Guaranty Insurance Company

Financial Guaranty is a New York stock insurance corporation that writes financial guaranty insurance in respect of public finance and structured finance obligations and other financial obligations, including credit default swaps. Financial Guaranty is licensed to engage in the financial guaranty insurance business in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands and the United Kingdom.

Financial Guaranty is a direct, wholly owned subsidiary of FGIC Corporation, a Delaware corporation. At March 31, 2006, the principal owners of FGIC Corporation and the approximate percentage of its outstanding common stock owned by each were as follows: The PMI Group, Inc. – 42%; affiliates of the Blackstone Group L.P. – 23%; and affiliates of the Cypress Group L.L.C. – 23%. Neither FGIC Corporation nor any of its stockholders or affiliates is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Policy, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where Financial Guaranty is domiciled, including New York's comprehensive financial guaranty insurance law. That law, among other things, limits the business of each financial guaranty insurer to financial guaranty insurance (and related lines); requires that each financial guaranty insurer maintain a minimum surplus to policyholders; establishes limits on the aggregate net amount of exposure that may be retained in respect of a particular issuer or revenue source (known as single risk limits) and on the aggregate net amount of exposure that may be retained in respect of particular types of risk as compared to the policyholders' surplus (known as aggregate risk limits); and establishes contingency, loss and unearned premium reserve requirements. In addition, Financial Guaranty is also subject to the applicable insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction.

At March 31, 2006, Financial Guaranty had net admitted assets of approximately \$3.603 billion, total liabilities of approximately \$2.454 billion, and total capital and policyholders' surplus of approximately \$1.149 billion, determined in accordance with statutory accounting practices ("SAP") prescribed or permitted by insurance regulatory authorities.

The unaudited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of U.S. generally accepted accounting principles ("GAAP"), as of March 31, 2006 and the audited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of GAAP, as of December 31, 2005 and 2004, which have been filed with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading "MUNICIPAL BOND INSURANCE" or in any documents included by specific reference herein,

shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of Financial Guaranty (if any) included in documents filed by Financial Guaranty with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

The New York State Insurance Department recognizes only SAP for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the New York Insurance Law, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. Although Financial Guaranty prepares both GAAP and SAP financial statements, no consideration is given by the New York State Insurance Department to financial statements prepared in accordance with GAAP in making such determinations. A discussion of the principal differences between SAP and GAAP is contained in the notes to Financial Guaranty's SAP financial statements.

Copies of Financial Guaranty's most recently published GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty's telephone number is (212) 312-3000.

Financial Guaranty's Credit Ratings

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

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

SOURCES AND USES OF FUNDS

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

Sources of Funds:

Principal Amount of Bonds	\$10,636,192.25
Net Original Issue Premium	<u>1,449,756.95</u>
<i>Total Sources</i>	<u>\$12,085,949.20</u>

Uses of Funds:

Deposit into the Building Fund ⁽¹⁾	\$11,071,312.25
Deposit to Debt Service Fund	651,205.83
Underwriter's Discount	129,666.70
Costs of Issuance ⁽²⁾	<u>233,764.42</u>
<i>Total Uses</i>	<u>\$12,085,949.20</u>

(1) Includes amounts to be used to redeem the Notes. See "THE BONDS – Purpose of Issue."

(2) Costs of Issuance include legal fees, bond insurance premium, printing costs, rating agency fees and other miscellaneous expenses for the Series B Bonds.

2021
2020

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions) and the Series A Bonds previously issued under the Authorization.

Period Ending (August 1)	Series A Bonds – Debt Service	Series B Bonds – Principal	Series B Bonds - Interest	Series C Bonds- Principal	Series C Bonds – Interest	Total Annual Debt Service
2007	\$ 813,950		311,002.45			\$1,124,952.45
2008	854,200		311,868.76			1,166,068.76
2009	602,825	10,000.00	311,868.76			924,693.76
2010	639,250	10,000.00	311,483.76			960,733.76
2011	684,375		311,093.76			995,468.76
2012	727,625		311,093.76			1,038,718.76
2013	767,625		311,093.76			1,078,718.76
2014	805,625	10,000.00	311,093.76			1,126,718.76
2015	841,625	20,000.00	310,693.76			1,172,318.76
2016	875,625	30,000.00	309,893.76			1,215,518.76
2017	925,625	30,000.00	308,693.76			1,264,318.76
2018	975,625	35,000.00	307,433.76			1,318,058.76
2019	1,025,625	35,000.00	305,963.76			1,366,588.76
2020	1,073,625	45,000.00	304,476.26			1,423,101.26
2021	1,143,250	35,000.00	302,541.26			1,480,791.26
2022	1,196,475	40,000.00	301,010.00			1,537,485.00
2023	1,301,000		299,250.00			1,600,250.00
2024	1,321,000	45,000.00	299,250.00			1,665,250.00
2025	1,382,500	55,000.00	296,887.50			1,734,387.50
2026	1,453,250	55,000.00	294,000.00			1,802,250.00
2027	1,522,500	60,000.00	291,112.50			1,873,612.50
2028	-	1,660,000.00	287,962.50			1,947,962.50
2029	-	1,825,000.00	200,812.50			2,025,812.50
2030	-	2,000,000.00	105,000.00			2,105,000.00
2031	-	614,360.70	1,575,639.30			2,190,000.00
2032	-			558,495.00	1,541,505.00	2,100,000.00
2033	-			550,772.95	1,634,227.05	2,185,000.00
2034	-			542,257.60	1,727,742.40	2,270,000.00
2035	-			509,242.50	1,740,757.50	2,250,000.00
2036	-			482,377.50	1,767,622.50	2,250,000.00
2037	-			456,862.50	1,793,137.50	2,250,000.00
2038	-			394,153.50	1,655,846.50	2,050,000.00
2039	-			124,189.00	1,925,811.00	2,050,000.00
2040	-			114,062.00	1,935,938.00	2,050,000.00
2041	-			104,775.50	1,945,224.50	2,050,000.00
2042	-			96,247.50	1,953,752.50	2,050,000.00
2043	-			88,396.00	1,961,604.00	2,050,000.00
TOTAL	\$20,933,200	6,614,360.70	8,591,219.39	4,021,831.55	21,583,168.45	\$61,743,780.09

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal and Accreted Value of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. The provisions of law discussed below are included in this section to describe the potential effect of Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes. It should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with all applicable laws.

Article XIII A of the California Constitution

Article XIII A, known as Proposition 13, was approved by the California voters in June of 1978. It limits the amount of ad valorem tax on real property to 1% of "full cash value," as determined by the county assessor. Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment period. Furthermore, all real property valuation may be increased to reflect the inflation rate, as shown by the consumer price index, in an amount not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors. Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978, (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or (3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition.

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

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

Unitary Property

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

jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Constitutional Appropriations Limitation

Article XIII B ("Article XIII B") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government will be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIII B, as amended.

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

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

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

Article XIII B also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it will be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Article XIII B will not impact the District's ability to pay debt service on the Bonds.

Article XIII C and Article XIII D of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and

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

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

Proposition 62

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

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Santa Barbara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court’s decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 62 does not affect the *ad valorem* property taxes to be levied by the County to pay debt service on the Bonds.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education

below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

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

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

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

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there

are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 39, 62, 98 and 111 (which are discussed above) were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

THE DISTRICT

General Information

The District is located in the eastern portion of Los Angeles County, encompasses approximately 8 square miles and serves the communities of La Puente and Baldwin Park. The District currently operates four elementary schools, one magnet school, one academy, one high school, one continuation high school and one adult school. The District currently serves approximately 6,000 students.

Administration

The District is governed by a Board of Education. The five members are elected to four-year terms in alternate slates of two and three. Current members of the Board of Education, together with their office and the date their term expires, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Paul Solano	President	November 2009
Karina Moreno	Vice President	November 2009
Rosaura Alvarado	Clerk	November 2007
Robert Fuentes	Member	November 2009
Frank Morales	Member	November 2007

The Superintendent of the District is appointed by the Board and reports to the Board. Robert Watanabe, the District's current Superintendent, has been a District employee for the past 34 years. He has served as an administrator for 31 years, in the capacity of Principal, Director of Curriculum and Instruction, Director of Personnel, Director of Adult Education, Deputy Superintendent and Superintendent. He is a past member of the Board of Education of the Bonita Unified School District, and has served as a Regional President for the Association of California School Administrators.

The Assistant Superintendent of Business Services of the District is James Ballard. During the course of his career, Mr. Ballard has served as a teacher, a coordinator, Site Principal, Director of Instruction and Assistant Superintendent of Business and Personnel. He has been a school administrator for more than 20 years. Specifically, he has been Chief Business Official for several districts managing budgets from \$20 to \$200 million and with extensive experience in facilities development. He has degrees in both business and education. Prior to beginning his career in education, he had a previous career in the field of public accounting as an auditor with a national certified public accounting firm.

Recent Enrollment Trends

The following table shows enrollment history for the District for the last five fiscal years and the projected enrollment for the next three fiscal years.

Table No. 8
BASSETT UNIFIED SCHOOL DISTRICT
Annual Enrollment
Fiscal Years 1997-98 through 2005-06

<u>School Year</u>	<u>Enrollment</u>
2001-02	6,031
2002-03	6,129
2003-04	6,039
2004-05	5,950
2005-06	5,659
	<u>Projected</u>
2006-07	5,539
2007-08	5,419
2008-09	5,299

Source: Bassett Unified School District.

Employee Relations

The District has two recognized bargaining units which represents its employees. The Bassett Teacher's Association represents certificated employees. Its contract with the District expired on June 30, 2005, and the District is continuing with negotiations. The California Schools Employees Association represents classified employees. Its contract with the District has expired.

District Retirement Systems

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

All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The District's employer contributions to STRS for the fiscal years ended June 30, 2004 and 2005 were \$1,787,641 and \$1,787,641, respectively. For the year ending June 30, 2006, the District has budgeted an employer contribution to STRS of \$1,568,505.

All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a "cost-sharing" pool within PERS. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each. The District's employer contributions to PERS for the fiscal years ended June 30, 2004 and 2005 were \$760,573 and \$701,861, respectively. For the year ending June 30, 2006, the District has budgeted an employer contribution to PERS of \$873,148.

The District is required by statute to contribute actuarially determined rates to STRS for all employees participating in STRS and to PERS for all employees participating in PERS. This contribution is taken annually by the State of California through reduction of apportionment monies paid to the District. The District's contributions to STRS and PERS in the last three fiscal years have been equal to 100% of the District's required contributions in each year. Participants are required to contribute 8 percent and 7 percent of applicable gross salary to STRS and PERS respectively.

Other Post-Employment Benefits

In addition to the pension benefits described above, the District offers certain post-employment health care benefits to its retirees who are at least 55 years old at retirement with 15 or more years of service to the District. Retired certificated employees are eligible to receive health benefits capped at either \$7,500 a year for five years or \$3,000 for life. Retired classified employees are eligible to receive health benefits capped at either \$4,700 a year for five years or \$2,000 for life, whichever is less. The District pays for these benefits on a pay-as-you-go basis. During fiscal year 2004-05, the District expended \$238,000 to provide such post-employment benefits to 57 employees.

The District has not determined its future liability for these post-employment benefits. The Governmental Accounting Standards Board ("GASB") has published Statement No. 45 which will require the District to account for post-employment benefits other than pension benefits beginning December 15, 2007. In accordance with Statement No. 45, the District plans to conduct an actuarial study in 2007 to determine its liability with respect to such post-employment benefits.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" herein.

Accounting Practices

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

The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities. The major fund classification is the general fund which accounts for all financial resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30.

All governmental funds and fiduciary funds are maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, that is, both measurable and available to finance expenditures for the current period. For more

information on the District's accounting method, see Note 1 to the Basic Financial Statements in "APPENDIX B -Audited Financial Statements of the District" attached hereto.

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

Financial Statements

The District's 2004-05 Audited Financial Statements were prepared by Nigro, Nigro and White, P.C., Temecula, California. The District's Audited Financial Statements for previous fiscal years were prepared by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, Rancho Cucamonga, California. Audited financial statements for the District for the fiscal year ended June 30, 2005, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District at 500 North Loraine Avenue, Bassett, California 91741. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. See Appendix B hereto for excerpts from the 2004-05 Audited Financial Statements. The auditors have not participated in the preparation of this Official Statement.

The following table shows the audited income and expense statements for the District for fiscal years 2002-03 through 2004-05. Also shown is the District's 2005-06 Estimated Actual.

Table No. 9
BASSETT UNIFIED SCHOOL DISTRICT
Summary of General Fund
Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2002-03 through 2004-05 (Audited)
and for Fiscal Year 2005-06 (Estimated Actual)

	Audited 2002-03	Audited 2003-04	Audited 2004-05	Estimated Actual 2005-06*
<u>Revenues</u>				
Revenue Limit Sources	\$28,153,944	\$27,522,334	\$28,262,685	\$28,983,766
Federal Revenue	2,203,536	2,789,939	3,531,030	4,688,725
Other State Revenue	9,136,131	8,185,212	10,075,398	9,930,732
Other Local Revenue	782,428	2,638,581	(337,026)**	4,097,192
Total Revenues	40,276,039	41,136,066	41,532,087	47,700,415
<u>Expenditures</u>				
Instruction	23,221,549	23,757,041	22,824,454	
Instruction-related services:				
Supervision of instruction	1,536,733	1,412,376	1,224,535	
Instructional library, media, technology	427,269	390,784	344,833	
School site administration	2,746,759	2,653,531	2,290,550	
Pupil Services:				
Home-to-school transportation	975,530	803,100	867,392	
Food services	--	7,500	--	
All other pupil services	2,376,122	2,245,024	2,302,392	
General Administration				
Data Processing	630,897	876,140	614,824	
All other general	1,947,356	2,198,962	2,734,036	
Plant Services	4,634,160	4,399,904	4,258,323	
Facility acquisition, construction	135,690	69,393	435	
Ancillary services	222,252	174,313	215,294	
Community services		195		
Enterprise services		53,892	57,228	
Certificated Salaries				19,562,115
Classified Salaries				6,948,532
Employee Benefits				7,206,388
Books and Supplies				3,701,198
Services and Other Oper. Expenditures				6,416,373
Other outgo	1,660,342	1,943,950	1,207,597	1,863,133
Capital Outlay				800,878
Transfers of Indirect/Direct Support				(380,000)
Total Expenditures	40,514,659	40,986,105	38,941,893	46,118,617
Excess of Revs. Over (Under) Expend.	(238,620)	149,961	2,590,194	1,581,798
<u>Other Financing Sources (Uses)</u>				
Operating Transfers in	200,000	3,346,664	400,000	--
Operating Transfers out	(250,000)	(71,196)	(290,193)	(5,331,647)
Total other financing sources (uses)	(50,000)	3,275,468	109,807	(5,331,647)
Excess of Revs. and Other Financing Sources Over (Under) Expenditures and Other Uses	(288,620)	3,425,429	2,700,001	(3,749,849)
Fund Balance, July 1	3,685,562	3,396,942	6,822,371	9,522,372
Fund Balance, June 30	\$3,396,942	\$6,822,371	\$9,522,372	\$5,772,523

*The estimated actual numbers are not formatted to conform with GASB Statement No. 34.

**Local revenues were negative because of a change in accounting method from previous years.

Source: Bassett Unified School District Audit Reports for fiscal years 2002-03 through 2004-05;
2nd Interim Report for 2005-06.

For purposes of comparison, the general fund budgets for the District for the fiscal years 2005-06 and 2006-07, as well as estimated actual for fiscal year 2005-06 are set forth below:

Table No. 10
BASSETT UNIFIED SCHOOL DISTRICT
General Fund Budget
Fiscal Years 2005-06 and 2006-07

	Budgeted <u>2005-06</u>	Estimated Actual <u>2005-06</u>	Budgeted <u>2006-07</u>
<u>Revenues</u>			
Revenue Limit Sources	\$29,380,099	\$28,983,766	\$33,844,326
Federal Revenue	3,255,851	4,688,725	193,125
Other State Revenue	7,762,414	9,930,732	2,386,530
Other Local Revenue	1,149,128	4,097,192	1,313,524
Total Revenues	41,547,493	47,700,415	37,737,505
<u>Expenditures</u>			
Certificated Salaries	19,197,743	19,562,115	15,874,781
Classified Salaries	7,328,772	6,948,532	4,733,396
Employee Benefits	7,034,598	7,206,388	5,439,348
Books and Supplies	2,716,773	3,701,198	1,070,424
Services and Other Oper. Expenses	7,482,208	6,416,373	4,888,454
Other Outgoing	1,585,852	1,863,133	5,666,005
Capital Outlay	1,187,616	800,878	507,948
Transfers of Indirect/Direct Support	<u>(380,000)</u>	<u>(380,000)</u>	<u>(654,164)</u>
Other Financing Uses	--	--	331,647
Total Expenditures	46,153,561	46,118,617	37,857,839
Excess of Revs. Over (Under) Expend.	(4,606,068)	1,581,798	(110,334)
<u>Other Financing Sources (Uses)</u>			
Interfund Transfers In	-	--	
Interfund Transfers Out/Contributions	<u>(298,318)</u>	<u>(5,331,647)</u>	
Total Other Financing Sources (Uses)	(298,318)	(5,331,647)	
<u>Excess (deficiency) of revenues over expenditures and other sources (uses)</u>	<u>(4,904,386)</u>	<u>(3,749,849)</u>	<u>(110,334)</u>

Source: Bassett Unified School District Estimated Actual for fiscal year 2005-06; Bassett Unified School District Adopted Budget for fiscal years 2005-06 and 2006-07.

Budget Process

The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State-mandated

standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For all dual budget options and for single and dual budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

The District has never had an adopted budget disapproved by the county superintendent of schools, and has never received a "negative" or "qualified" certification of an Interim Financial Report pursuant to AB 1200.

State Funding of Education and Revenue Limitations

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 ("A.D.A."). Such apportionments will, generally speaking, 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 California school districts. The District's revenue limit per unit of A.D.A. was \$4,823 in fiscal year 2003-04, \$4,940 in fiscal year 2004-05, and \$5,125 in fiscal year 2005-06.

A schedule of the District's A.D.A. during the past five fiscal years, as well as estimates for two years, is shown below.

Table No. 11
BASSETT UNIFIED SCHOOL DISTRICT
Average Daily Attendance
Fiscal Years 2000-01 through 2006-07

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>
2000-01	5,800
2001-02	5,795
2002-03	5,791
2003-04	5,727
2004-05	5,728
2005-06*	5,325
	<u>Projected</u>
2006-07*	5,212
2007-08	5,099
2008-09	4,986

* Estimated.

Source: *Bassett Unified School District.*

California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may affect appropriations made by the Legislature to school districts.

Revenue Sources

The District categorizes its general fund revenues into four sources:

Table No. 12
BASSETT UNIFIED SCHOOL DISTRICT
District Revenue Sources

<u>Revenue Source</u>	<u>Percentage of Total District General Fund Revenues</u>		
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
Revenue limit sources ⁽¹⁾	69.9%	66.9%	68.1%
Federal revenues	5.5	6.8	8.5
Other State revenues	22.7	19.9	24.3
Other local revenues	1.9	6.4	(8.1) ⁽²⁾

(1) Consists of a mix of State apportionments of basic and equalization aid and local property tax revenues.

(2) Local revenues were negative because of a change in accounting method from previous years.

Source: *Bassett Unified School District.*

Each of these revenue sources is described below.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying (1) the average daily attendance for such district by (2) a base revenue limit per unit of A.D.A. The revenue limit

calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Funding of the District's revenue limit is provided by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools and Education for Economic Security.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues.

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Class Size Reduction Program, home-to-school transportation, Economic Impact Aid, School Improvement Program, Educational Technology Assistance Grants, mandated cost reimbursements, instructional materials and mentor teachers.

The District receives State aid from the California State Lottery, which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues generally comprise approximately 2% of general fund revenues.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings and other local sources.

General Long-Term Debt

Certificates of Participation. On February 1, 1999, the Bassett Unified School District Financing Corporation issued certificates of participation (the "1999 Certificates") in the amount of \$11,860,000 with interest rates ranging from 3.4% to 4.1%. The 1999 Certificates, which are payable from the District's general fund, were issued to prepay \$17,435,000 certificates issued in 1997. The outstanding amount of the 1999 Certificates on June 30, 2005 was \$9,195,000.

General Obligation Bonds. In February 2005, the District issued \$12,363,351.50 General Obligation Bonds, Election of 2004, Series A. The General Obligation Bonds are payable from *ad valorem* taxes levied on parcels in the District on a parity basis with the Bonds.

The District previously issued its Bond Anticipation Notes, Series 2005, in the aggregate principal amount of \$10,360,000, which will be redeemed with a portion of the proceeds of the Bonds. See "THE BONDS – Purpose of Issue."

Capital Leases. The District has entered into various capital lease arrangements and has recorded capital assets in the amount of \$9,643,430. The capital leases have minimum payments as follows:

Year Ending June 30	Lease Payment
2006	\$ 227,246
2007	769,562
2008	769,562
2009	769,562
2010-2014	3,847,810
2015-2019	<u>3,168,968</u>
Total	\$9,552,710

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55 percent of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see “- State Funding of Education and Revenue Limitations” below). State funds typically make up the majority of a district’s revenue limit. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS”), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process.

State Funding of Education and Recent State Budgets

The State of California (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, the County, nor the Underwriter is responsible for the information relating to the State’s budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer’s Office.

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

Under the State Constitution, money may be drawn from the 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.*

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.
- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.
- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.
- The State Legislative Analyst's Office 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 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.

2005-06 State Budget. On July 11, 2005, the Governor signed the budget for Fiscal Year 2005-06 (the "2005-06 Budget"). For K-12 education, the 2005-06 Budget assumes spending of \$44.6 billion for K-12 Proposition 98 funding in 2005-06. Based on the administration's revenue estimates, total Proposition 98 funding is roughly \$500 million above the minimum K-12 Proposition 98 guarantee. On a per-pupil basis, K-12 Proposition 98 increases by \$384 (from \$7,021 in 2004-05 to \$7,405 in 2005-06). In addition, the 2005-06 Budget provides approximately \$375 million to K-12 in one-time funds. Additional provisions, as summarized by the Legislative Analyst's Office, include:

Growth and Cost-of-Living Adjustments. Provides both statutory and discretionary growth and COLAs to district revenue limits (\$1.4 billion) and other programs (\$640 million). This reflects a COLA rate of 4.23%.

Deficit Factor Reduction. Provides \$400 million in additional revenue limit funding to partially restore a general purpose reduction and foregone COLAs that school experienced in prior years, which created a "deficit factor" obligation.

Payment of Prior-Year Mandate Claims. Provides \$242 million in one-time funds to reimburse districts for a portion of the costs incurred for state mandates in previous years.

Special Education. Maintains the \$79 million augmentation to special education as proposed in the May Revision, including: \$47.9 million for one-time per-pupil grants, \$18.2 million to increase support for the new Out-of-Home Care funding formula, and \$12.8 million in funding increases for ongoing special education per-pupil grants.

Implementing Legislation. Earmarks funds to be allocated pursuant to policy and trailer bills to address budget issues for the following programs—special education, supplemental instruction, charter school block grant, professional development, federal before and after school programs, High Priority Schools (new cohort), and School Business Officer Training.

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 (an over 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.

The California Legislative Analyst's Office cautions that the State will continue to face structural budget shortfalls in subsequent years, at a time in which it will be facing a number of risks and budgetary pressures.

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.

LOS ANGELES COUNTY INVESTMENT POOL

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 May 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:

<u>Local Agency</u>	<u>Invested Funds</u> <u>(in billions)</u>
County of Los Angeles and Special Districts	\$ 7.032
Schools and Community Colleges	8.865
Independent Public Agencies	1.279
Total	\$16.996

Of these entities, the involuntary participants accounted for approximately 92.47%, and all discretionary participants accounted for 7.53% 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 June 28, 2006, the May 31, 2006 book value of the Treasury Pool was approximately \$16.996 billion and the corresponding market value was approximately \$16.96696 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 May 31, 2006 approximately 50.91% of the pool investments mature within 60 days, with an average of 205.10 days to maturity for the entire portfolio. The following table identifies the types of securities held by the Pool as of May 31, 2006.

<u>Type of Investment</u>	<u>% of Pool</u>
U.S. Government and Agency Obligations	47.40%
Certificates of Deposit	20.15
Commercial Paper	26.86
Bankers Acceptances	0.00
Municipal Obligations	0.27
Corporate Notes & Deposit Notes	5.29
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.03

Pursuant to Section 27131 of the Government Code, all counties investing surplus funds are encouraged 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.

TAX MATTERS

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 (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 Authority and the District have 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.

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 straightline 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 straightline interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of Premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

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

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds 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 set forth in their opinion, the proposed form of which is set forth in APPENDIX D.

CERTAIN LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District and publicly available at the time of the request (an "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. An Annual Report, consisting of the most recently available documents of the type to be included in the Annual Report at the time the request is received, will be provided to any person who requests it. The notices of material events will be filed by the District with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). Requests for copies of an Annual Report and notices of material events should be addressed to: Superintendent, Bassett Unified School District, 904 North Willow Avenue, La Puente, California, telephone: (626) 931-3000. The specific nature of the information to be contained in an Annual Report or the notices of material events is set forth below under the caption "APPENDIX E - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The 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.

Absence of Material Litigation

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

RATINGS

Standard & Poor's Ratings Services is expected to assign their municipal bond 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 of (or, in the case of Capital Appreciation Bonds, the Accreted Value) and interest on the Bonds will be issued by the Insurer. The Bonds have an underlying rating from Standard & Poor's Ratings Services of "A-". There is no assurance that any credit ratings given to the Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from such rating agencies.

UNDERWRITING

The Bonds are being purchased by George K. Baum & Company (the "Underwriter"). The Underwriter has agreed to purchase the Series B Bonds at a price of \$6,766,943.23, consisting of the \$6,614,360.70 principal amount of the Bonds, plus \$298,066.95 net original issue premium, less an Underwriter's discount of \$84,269.98, and less \$61,214.44 to be used by the Underwriter to pay costs of issuance and bond insurance premium.

The Underwriter has agreed to purchase the Series C Bonds at a price of \$4,955,574.85, consisting of the principal amount of the Bonds of \$4,021,831.55, less

underwriter's discount of \$45,396.72, plus net original issue premium of \$1,151,690.00, less \$172,549.98 to be retained by the Underwriter to be used to pay costs of issuance and the bond insurance premium.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed by the Underwriter.

ADDITIONAL INFORMATION

The reference herein to the Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available from the Underwriter and following delivery of the Bonds will be on file at the offices of the Paying Agent in Los Angeles, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available from upon written request to the District.

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

The execution and delivery of this Official Statement have been duly authorized by the District.

BASSETT UNIFIED SCHOOL DISTRICT

By: /s/ Robert Watanabe
Superintendent

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APPENDIX A
ACCRETED VALUE TABLES

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Bassett Unified School District
Los Angeles County, California
General Obligation Bonds, Election of 2004, Series B
Table of Accreted Values

Settlement	8/2/2006		
Maturity Date	8/1/2031		
Maturity Amount	2,190,000.00		
Yield to Maturity	5.150%		
Original \$Price	28.053		
Original Principal	614,360.70		
	1,402.65		
Period Ending	Total Accreted Value	Accreted Value	Accreted Price
2/1/2007	630,099.82	1,438.58	28.772
8/1/2007	646,324.89	1,475.63	29.513
2/1/2008	662,967.76	1,513.63	30.273
8/1/2008	680,039.18	1,552.60	31.052
2/1/2009	697,550.19	1,592.58	31.852
8/1/2009	715,512.11	1,633.59	32.672
2/1/2010	733,936.54	1,675.65	33.513
8/1/2010	752,835.41	1,718.80	34.376
2/1/2011	772,220.92	1,763.06	35.261
8/1/2011	792,105.61	1,808.46	36.169
2/1/2012	812,502.33	1,855.03	37.101
8/1/2012	833,424.26	1,902.80	38.056
2/1/2013	854,884.94	1,951.79	39.036
8/1/2013	876,898.23	2,002.05	40.041
2/1/2014	899,478.36	2,053.60	41.072
8/1/2014	922,639.92	2,106.48	42.130
2/1/2015	946,397.90	2,160.73	43.215
8/1/2015	970,767.65	2,216.36	44.327
2/1/2016	995,764.91	2,273.44	45.469
8/1/2016	1,021,405.86	2,331.98	46.640
2/1/2017	1,047,707.06	2,392.03	47.841
8/1/2017	1,074,685.52	2,453.62	49.072
2/1/2018	1,102,358.67	2,516.80	50.336
8/1/2018	1,130,744.41	2,581.61	51.632
2/1/2019	1,159,861.08	2,648.08	52.962
8/1/2019	1,189,727.50	2,716.27	54.325
2/1/2020	1,220,362.98	2,786.22	55.724
8/1/2020	1,251,787.33	2,857.96	57.159
2/1/2021	1,284,020.85	2,931.55	58.631
8/1/2021	1,317,084.39	3,007.04	60.141
2/1/2022	1,350,999.31	3,084.47	61.689
8/1/2022	1,385,787.54	3,163.90	63.278
2/1/2023	1,421,471.57	3,245.37	64.907
8/1/2023	1,458,074.47	3,328.94	66.579
2/1/2024	1,495,619.88	3,414.66	68.293
8/1/2024	1,534,132.10	3,502.58	70.052
2/1/2025	1,573,636.00	3,592.78	71.856
8/1/2025	1,614,157.12	3,685.29	73.706
2/1/2026	1,655,721.67	3,780.19	75.604
8/1/2026	1,698,356.50	3,877.53	77.551
2/1/2027	1,742,089.18	3,977.37	79.547
8/1/2027	1,786,947.98	4,079.79	81.596
2/1/2028	1,832,961.89	4,184.84	83.697
8/1/2028	1,880,160.66	4,292.60	85.852
2/1/2029	1,928,574.80	4,403.14	88.063
8/1/2029	1,978,235.60	4,516.52	90.330
2/1/2030	2,029,175.16	4,632.82	92.656
8/1/2030	2,081,426.42	4,752.12	95.042
2/1/2031	2,135,023.15	4,874.48	97.490
8/1/2031	2,190,000.00	5,000.00	100.000

Bassett Unified School District
(Los Angeles County, California)
General Obligation Bonds, Election 2004, Series C
Table of Accreted Values

Settlement	08/02/06				
Maturity Date	08/01/32	08/01/33	08/01/34	08/01/35	08/01/36
Maturity Amount	2,100,000	2,185,000	2,270,000	2,250,000	2,250,000
Yield to Maturity	5.160%	5.170%	5.180%	5.190%	5.200%
Original \$Price	26.595	25.207	23.888	22.633	21.439
Original Principal	558,495.00	550,772.95	542,257.60	509,242.50	482,377.50
Period Ending					
02/01/07	572,824.87	564,945.71	556,223.35	522,383.39	494,886.70
08/01/07	587,603.75	579,549.55	570,629.54	535,939.24	507,733.24
02/01/08	602,763.93	594,530.91	585,408.84	549,846.86	520,934.30
08/01/08	618,315.24	609,899.53	600,570.93	564,115.38	534,478.59
02/01/09	634,267.77	625,665.44	616,125.72	578,754.18	548,375.04
08/01/09	650,631.88	641,838.89	632,083.37	593,772.85	562,832.79
02/01/10	667,418.18	658,430.42	648,454.33	609,181.26	577,261.24
08/01/10	684,637.57	675,450.85	665,249.30	624,989.51	592,270.03
02/01/11	702,301.22	692,911.26	682,479.26	641,207.99	607,669.05
08/01/11	720,420.59	710,823.01	700,155.47	657,847.33	623,468.45
02/01/12	739,007.44	729,197.79	718,289.50	674,918.47	639,678.63
08/01/12	758,073.83	748,047.55	736,893.19	692,432.61	656,310.27
02/01/13	777,632.14	767,384.58	755,978.73	710,401.23	673,374.34
08/01/13	797,695.05	787,221.47	775,558.58	728,836.15	690,882.07
02/01/14	818,275.58	807,571.14	795,645.54	747,749.44	708,845.00
08/01/14	839,387.09	828,446.86	816,252.76	767,153.54	727,274.97
02/01/15	861,043.28	849,862.21	837,393.71	787,061.18	746,184.12
08/01/15	883,258.19	871,831.15	859,082.21	807,485.41	765,584.91
02/01/16	906,046.25	894,367.98	881,332.44	828,439.66	785,490.12
08/01/16	929,422.25	917,487.40	904,158.95	849,937.67	805,912.86
02/01/17	953,401.34	941,204.44	927,576.66	871,993.55	826,866.60
08/01/17	977,999.09	965,534.58	951,600.90	894,621.78	848,365.13
02/01/18	1,003,231.47	990,493.65	976,247.36	917,837.22	870,422.82
08/01/18	1,029,114.64	1,016,097.91	1,001,532.17	941,655.09	893,053.61
02/01/19	1,055,886.01	1,042,364.04	1,027,471.85	966,091.04	916,273.00
08/01/19	1,082,902.19	1,069,309.15	1,054,083.37	991,181.11	940,096.10
02/01/20	1,110,841.07	1,096,950.79	1,081,384.13	1,016,881.74	964,538.60
08/01/20	1,139,500.77	1,125,306.97	1,109,391.98	1,043,269.82	989,616.60
02/01/21	1,168,899.89	1,154,396.16	1,138,125.23	1,070,342.67	1,015,346.64
08/01/21	1,199,057.50	1,184,237.30	1,167,602.68	1,098,118.06	1,041,745.65
02/01/22	1,229,993.19	1,214,849.83	1,197,843.59	1,126,614.23	1,068,831.03
08/01/22	1,261,727.01	1,246,253.70	1,228,667.74	1,155,849.87	1,096,620.64
02/01/23	1,294,279.57	1,278,469.36	1,260,895.41	1,185,844.17	1,125,132.78
08/01/23	1,327,671.98	1,311,517.79	1,293,347.42	1,216,618.83	1,154,386.23
02/01/24	1,361,925.92	1,345,420.52	1,326,845.12	1,248,188.03	1,184,400.27
08/01/24	1,397,063.61	1,380,199.64	1,361,210.41	1,280,578.51	1,215,194.69
02/01/25	1,433,107.85	1,415,877.80	1,396,465.76	1,313,809.52	1,246,789.74
08/01/25	1,470,082.03	1,452,478.25	1,432,634.22	1,347,902.88	1,279,206.27
02/01/26	1,508,010.15	1,490,024.81	1,469,739.45	1,382,880.96	1,312,465.64
08/01/26	1,546,916.81	1,528,541.95	1,507,805.70	1,418,766.72	1,346,589.74
02/01/27	1,586,827.26	1,568,054.76	1,546,857.87	1,455,583.72	1,381,601.08
08/01/27	1,627,767.40	1,608,568.98	1,586,921.48	1,493,356.12	1,417,522.71
02/01/28	1,669,763.80	1,650,171.00	1,628,022.75	1,532,108.71	1,454,378.30
08/01/28	1,712,843.71	1,692,827.92	1,670,188.54	1,571,866.93	1,492,192.13
02/01/29	1,757,035.08	1,736,587.52	1,713,446.42	1,612,656.88	1,530,989.13
08/01/29	1,802,366.58	1,781,478.31	1,757,824.69	1,654,505.32	1,570,794.84
02/01/30	1,848,867.64	1,827,529.52	1,803,352.34	1,697,439.73	1,611,635.51
08/01/30	1,896,568.42	1,874,771.16	1,850,059.17	1,741,488.30	1,653,538.03
02/01/31	1,945,499.89	1,923,234.00	1,897,975.70	1,786,679.92	1,696,530.02
08/01/31	1,995,693.79	1,972,949.60	1,947,133.27	1,833,044.26	1,740,639.80
02/01/32	2,047,182.69	2,023,950.34	1,997,564.03	1,880,611.76	1,785,896.44
08/01/32	2,100,000.00	2,076,269.46	2,049,300.93	1,929,413.63	1,832,329.75
02/01/33		2,129,941.02	2,102,377.83	1,979,481.92	1,879,970.32
08/01/33		2,185,000.00	2,156,828.41	2,030,849.47	1,928,849.55
02/01/34			2,212,691.30	2,083,550.02	1,978,999.64
08/01/34			2,270,000.00	2,137,618.14	2,030,453.63
02/01/35				2,193,089.33	2,083,245.42
08/01/35				2,250,000.00	2,137,409.80
02/01/36					2,192,982.46
08/01/36					2,250,000.00
02/01/37					
08/01/37					
02/01/38					
08/01/38					
02/01/39					
08/01/39					
02/01/40					
08/01/40					
02/01/41					
08/01/41					
02/01/42					
08/01/42					
02/01/43					
08/01/43					

Bassett Unified School District
(Los Angeles County, California)
General Obligation Bonds, Election 2004, Series C
Table of Accreted Values

Settlement	08/02/06						
Maturity Date	08/01/37	08/01/38	08/01/39	08/01/40	08/01/41	08/01/42	08/01/43
Maturity Amount	2,250,000	2,050,000	2,050,000	2,050,000	2,050,000	2,050,000	2,050,000
Yield to Maturity	5.210%	5.220%	8.680%	8.680%	8.680%	8.680%	8.680%
Original \$Price	20.305	19.227	6.058	5.584	5.111	4.695	4.312
Original Principal	456,862.50	394,153.50	124,189.00	114,062.00	104,775.50	96,247.50	88,396.00

02/01/07	468,708.16	404,392.92	129,553.68	119,000.31	109,306.81	100,402.55	92,223.82
08/01/07	480,918.00	414,947.57	135,176.31	124,164.92	114,050.52	104,760.03	96,226.33
02/01/08	493,445.92	425,777.71	141,042.98	129,553.68	119,000.31	109,306.61	100,402.55
08/01/08	508,300.18	436,890.50	147,164.23	135,176.31	124,164.92	114,050.52	104,760.03
02/01/09	519,489.30	448,293.35	153,551.15	141,042.98	129,553.68	119,000.31	109,306.61
08/01/09	533,022.00	459,993.80	160,215.27	147,164.23	135,176.31	124,164.92	114,050.52
02/01/10	546,907.22	471,999.64	167,168.62	153,551.15	141,042.98	129,553.68	119,000.31
08/01/10	561,154.16	484,318.83	174,423.74	160,215.27	147,164.23	135,176.31	124,164.92
02/01/11	575,772.22	496,959.55	181,993.73	167,168.62	153,551.15	141,042.98	129,553.68
08/01/11	590,771.09	509,930.20	189,892.25	174,423.74	160,215.27	147,164.23	135,176.31
02/01/12	606,160.68	523,239.37	198,133.58	181,993.73	167,168.62	153,551.15	141,042.98
08/01/12	621,951.16	536,895.92	206,732.57	189,892.25	174,423.74	160,215.27	147,164.23
02/01/13	638,152.99	550,908.91	215,704.77	198,133.58	181,993.73	167,168.62	153,551.15
08/01/13	654,776.87	565,287.63	225,066.35	206,732.57	189,892.25	174,423.74	160,215.27
02/01/14	671,833.81	580,041.64	234,834.23	215,704.77	198,133.58	181,993.73	167,168.62
08/01/14	689,335.08	595,180.72	245,026.04	225,066.35	206,732.57	189,892.25	174,423.74
02/01/15	707,292.26	610,714.94	255,660.17	234,834.23	215,704.77	198,133.58	181,993.73
08/01/15	725,717.22	626,654.60	266,755.82	245,026.04	225,066.35	206,732.57	189,892.25
02/01/16	744,622.16	643,010.28	278,333.02	255,660.17	234,834.23	215,704.77	198,133.58
08/01/16	764,019.57	659,792.85	290,412.68	266,755.82	245,026.04	225,066.35	206,732.57
02/01/17	783,922.28	677,013.45	303,016.59	278,333.02	255,660.17	234,834.23	215,704.77
08/01/17	804,343.45	694,683.50	316,167.51	290,412.68	266,755.82	245,026.04	225,066.35
02/01/18	825,296.60	712,814.74	329,889.18	303,016.59	278,333.02	255,660.17	234,834.23
08/01/18	846,795.57	731,419.20	344,206.37	316,167.51	290,412.68	266,755.82	245,026.04
02/01/19	868,854.60	750,509.24	359,144.92	329,889.18	303,016.59	278,333.02	255,660.17
08/01/19	891,488.26	770,097.53	374,731.81	344,206.37	316,167.51	290,412.68	266,755.82
02/01/20	914,711.53	790,197.08	390,995.17	359,144.92	329,889.18	303,016.59	278,333.02
08/01/20	938,539.77	810,821.22	407,984.37	374,731.81	344,206.37	316,167.51	290,412.68
02/01/21	962,988.73	831,983.66	425,670.02	390,995.17	359,144.92	329,889.18	303,016.59
08/01/21	988,074.58	853,698.43	444,144.10	407,984.37	374,731.81	344,206.37	316,167.51
02/01/22	1,013,813.93	875,979.96	463,419.95	425,670.02	390,995.17	359,144.92	329,889.18
08/01/22	1,040,223.78	898,843.04	483,532.38	444,144.10	407,984.37	374,731.81	344,206.37
02/01/23	1,067,321.61	922,302.84	504,517.68	463,419.95	425,670.02	390,995.17	359,144.92
08/01/23	1,095,125.34	946,374.94	526,413.75	483,532.38	444,144.10	407,984.37	374,731.81
02/01/24	1,123,653.35	971,075.33	549,260.11	504,517.68	463,419.95	425,670.02	390,995.17
08/01/24	1,152,924.52	996,420.39	573,098.00	526,413.75	483,532.38	444,144.10	407,984.37
02/01/25	1,182,958.20	1,022,426.97	597,970.45	549,260.11	504,517.68	463,419.95	425,670.02
08/01/25	1,213,774.28	1,049,112.31	623,922.37	573,098.00	526,413.75	483,532.38	444,144.10
02/01/26	1,245,393.08	1,076,494.14	651,000.60	597,970.45	549,260.11	504,517.68	463,419.95
08/01/26	1,277,835.57	1,104,590.64	679,254.02	623,922.37	573,098.00	526,413.75	483,532.38
02/01/27	1,311,123.19	1,133,420.45	708,733.65	651,000.60	597,970.45	549,260.11	504,517.68
08/01/27	1,345,277.95	1,163,002.73	739,492.69	679,254.02	623,922.37	573,098.00	526,413.75
02/01/28	1,380,322.44	1,193,357.10	771,586.67	708,733.65	651,000.60	597,970.45	549,260.11
08/01/28	1,416,279.84	1,224,503.72	805,073.53	739,492.69	679,254.02	623,922.37	573,098.00
02/01/29	1,453,173.93	1,256,463.27	840,013.72	771,586.67	708,733.65	651,000.60	597,970.45
08/01/29	1,491,029.11	1,289,256.96	876,470.32	805,073.53	739,492.69	679,254.02	623,922.37
02/01/30	1,529,870.42	1,322,906.57	914,509.13	840,013.72	771,586.67	708,733.65	651,000.60
08/01/30	1,569,723.54	1,357,434.43	954,198.83	876,470.32	805,073.53	739,492.69	679,254.02
02/01/31	1,610,614.84	1,392,863.46	995,611.06	914,509.13	840,013.72	771,586.67	708,733.65
08/01/31	1,652,571.36	1,429,217.20	1,038,820.58	954,198.83	876,470.32	805,073.53	739,492.69
02/01/32	1,695,620.84	1,466,519.77	1,083,905.39	995,611.06	914,509.13	840,013.72	771,586.67
08/01/32	1,739,791.77	1,504,795.94	1,130,946.88	1,038,820.58	954,198.83	876,470.32	805,073.53
02/01/33	1,785,113.34	1,544,071.11	1,180,029.98	1,083,905.39	995,611.06	914,509.13	840,013.72
08/01/33	1,831,615.54	1,584,371.37	1,231,243.28	1,130,946.88	1,038,820.58	954,198.83	876,470.32
02/01/34	1,879,329.13	1,625,723.46	1,284,679.24	1,180,029.98	1,083,905.39	995,611.06	914,509.13
08/01/34	1,928,285.65	1,668,154.84	1,340,434.31	1,231,243.28	1,130,946.88	1,038,820.58	954,198.83
02/01/35	1,978,517.49	1,711,693.68	1,398,609.16	1,284,679.24	1,180,029.98	1,083,905.39	995,611.06
08/01/35	2,030,057.87	1,756,388.89	1,459,308.80	1,340,434.31	1,231,243.28	1,130,946.88	1,038,820.58
02/01/36	2,082,940.88	1,802,210.12	1,522,642.80	1,398,609.16	1,284,679.24	1,180,029.98	1,083,905.39
08/01/36	2,137,201.49	1,849,247.80	1,588,725.50	1,459,308.80	1,340,434.31	1,231,243.28	1,130,946.88
02/01/37	2,192,875.59	1,897,513.17	1,657,676.19	1,522,642.80	1,398,609.16	1,284,679.24	1,180,029.98
08/01/37	2,250,000.00	1,947,038.26	1,729,619.34	1,588,725.50	1,459,308.80	1,340,434.31	1,231,243.28
02/01/38		1,997,855.96	1,804,684.81	1,657,676.19	1,522,642.80	1,398,609.16	1,284,679.24
08/01/38		2,050,000.00	1,883,008.14	1,729,619.34	1,588,725.50	1,459,308.80	1,340,434.31
02/01/39			1,964,730.69	1,804,684.81	1,657,676.19	1,522,642.80	1,398,609.16
08/01/39			2,050,000.00	1,883,008.14	1,729,619.34	1,588,725.50	1,459,308.80
02/01/40				1,964,730.69	1,804,684.81	1,657,676.19	1,522,642.80
08/01/40				2,050,000.00	1,883,008.14	1,729,619.34	1,588,725.50
02/01/41					1,964,730.69	1,804,684.81	1,657,676.19
08/01/41					2,050,000.00	1,883,008.14	1,729,619.34
02/01/42						1,964,730.69	1,804,684.81
08/01/42						2,050,000.00	1,883,008.14
02/01/43							1,964,730.69
08/01/43							2,050,000.00

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2005

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BASSETT UNIFIED SCHOOL DISTRICT
OF LOS ANGELES COUNTY
LA PUENTE, CALIFORNIA
JUNE 30, 2005

BASSETT UNIFIED SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2005

GOVERNING BOARD		
<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Paul Solano	President	2005
Anna Aguilar	Vice President	2005
Robert Fuentes	Clerk	2005
Rosaura J. Alvarado	Member	2007
Frank T. Morales	Member	2007
ADMINISTRATION		
Robert I. Watanabe	Superintendent	

BASSETT UNIFIED SCHOOL DISTRICT

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JUNE 30, 2005

BASSETT UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Governing Board
Bassett Unified School District
La Puente, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bassett 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 2004-05 *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, 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, each major fund, and the aggregate remaining fund information of the Bassett 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 September 23, 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.

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8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.468.4410 Fax: 909.468.4431 www.vtdcpa.com
FRESNO • LA GUANA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • SAN JOSE

The required supplementary information, such as management's discussion and analysis on pages 4 through 11 and budgetary comparison information on pages 42 through 43, 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 is 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.

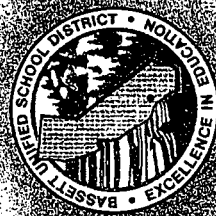
Vavrinek, Trine, Day & Co., LLP
Rancho Cucamonga, California
September 23, 2005

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Bassett Unified School District

904 N. Willow Ave.
La Puente, CA 91746-1696

(626) 931-3000



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

FINANCIAL HIGHLIGHTS

The District has ended the 2004-05 fiscal year on a positive note. The increase to the General Fund balance was \$2,699,990, compared to a projected ending deficit balance of \$18,292. The District has made budget cuts of close to \$4,000,000 over the past two fiscal years to ensure a positive certification on its Three-Year Multiple Year Projections. The District is no longer relying on transfers from other funds to help cash flow and balance the General Fund budget. The Unaudited Actuals do not include employee salary increases (other than step and column). Subsequent to the year-end, the District has settled with the Classified Bargaining Unit and Management/Confidential employees. The Certificated Bargaining Unit has not settled for 2004-05. The California Department of Education (CDE) recommends that a District with average daily attendance of 1,001 to 30,000 keep a minimum of 3% for economic uncertainty. The Unrestricted Reserve (includes the 3% Reserve and Undesignated Amount) at the end of the 2004-05 fiscal year was 12.5%.

It should be noted, that although the District shows a healthy reserve, it is also experiencing a decline in enrollment. A decline in enrollment means a decline in attendance. Average Daily Attendance (ADA), is the basis in which the District derives close to 90% of its Unrestricted General Fund Revenues. As ADA drops, the revenues received decreases. While the District can utilize the previous year's higher ADA as its basis in a decline, a drop in ADA eventually leads to a reduction in classroom staffing. Revenues derived from ADA cover not only teacher salaries, but also district overhead. This translates to a reduction in ending fund balance.

The District passed a \$23 million General Obligation bond during the November 2004 election to aid in the modernization of school facilities. Approximately \$9.3 million of the \$12.4 million in Bonds issued were used to retire the Certificates of Participation currently held by the District. The remainder of the balance will be utilized as matching funds in the procurement of State Modernization Apportionment funding.

BASSETT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide financial statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short term*, as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-Wide Financial Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Assets* includes *all* of the District's assets and liabilities with the exception of other post-employment benefits. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

The two district-wide financial statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are shown as *governmental activities*.

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

**BASSETT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

**BASSETT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like State grants for building projects).

The District has two kinds of funds:

Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Fiduciary funds – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Net Assets

The District's net assets were \$21,916,890 for the fiscal year ended June 30, 2005. Of this amount, \$7,333,540 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 focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2005	2004
Assets		
Current and other assets	\$ 37,964,535	\$ 32,175,726
Capital assets	20,753,764	20,848,718
Total Assets	58,718,299	53,024,444
Liabilities		
Current liabilities	17,397,949	17,348,691
Long-term debt	19,403,460	17,627,131
Total Liabilities	36,801,409	34,975,822
Net Assets		
Invested in capital assets, net of related debt	1,712,480	3,577,061
Restricted	12,870,870	6,734,395
Unrestricted	7,333,540	7,737,166
Total Net Assets	\$ 21,916,890	\$ 18,048,622

BASSETT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

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 13. Table 2 presents total revenues and total expenses for governmental activities by category.

Table 2

	Governmental Activities	
	2005	2004
Revenues		
Program revenues:		
Charges for services	\$ 1,231,549	\$ 1,112,884
Operating grants and contributions	19,218,201	14,113,656
General revenues:		
State revenue limit sources	26,589,261	26,197,703
Property taxes	4,605,904	7,981,633
Other general revenues	1,919,108	1,138,506
Total Revenues	53,564,023	50,544,382
Expenses		
Instruction related	33,044,317	34,049,968
Pupil services	5,721,111	5,604,366
General administration	3,724,241	3,448,013
Plant services	5,053,535	4,894,963
Other (other outgo, depreciation, interest on long-term debt)	2,152,551	3,975,703
Total Expenses	49,695,755	51,973,013
Change in Net Assets	\$ 3,868,268	\$ (1,428,631)

The District's expenses are predominantly related to education of students 78%. The purely administrative activities of the District accounted for just 7% of total costs.

BASSETT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

Governmental Activities

Table 3 presents the costs of five major District activities: instruction related, pupil services, general administration, plant services, and other (other outgo, depreciation, interest on long-term debt). The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

The cost of all governmental activities this year was \$49,695,755.

- The Federal and State governments subsidized certain programs with grants and contributions.
- District taxpayers and the taxpayers of our State, however, financed most of the District's costs.
 - This portion of governmental activities was financed with \$8 million in property taxes, and \$26 million of unrestricted State aid based on the statewide education aid formula.

Table 3

	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction related	\$ 33,044,317	\$ 19,846,654	\$ 34,049,968	\$ 24,336,148
Pupil services	5,721,111	1,468,978	5,604,366	2,106,214
General administration	3,724,241	2,771,816	3,448,013	2,409,562
Plant services	5,053,535	4,147,699	4,894,963	4,078,563
Other (other outgo, depreciation, interest on long-term debt)	2,152,551	1,010,858	3,975,703	3,815,986
Totals	\$ 49,695,755	\$ 29,246,005	\$ 51,973,013	\$ 36,746,473

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported *combined* fund balances of \$20.9 million compared to \$15.5 million in the prior year. This is an increase of \$5.4 million for the District.

- The General Fund had a fund balance increase of \$2.7 million during 2004-05 fiscal year.

BASSETT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

- To account for State budget changes.
- Increases in appropriations to prevent budget overruns.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$18,292, the actual results for the year show a \$2.7 million surplus.

- Actual revenues were \$543,886 lower than expected, due to overestimates in Federal and Other State Revenues and underestimation of Other Local Revenue.
- The actual expenditures were \$4.2 million lower than budgeted due to overestimates in Non-Salary/Benefit expenditure budgets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2005, the District had invested over \$20,753,764 (net of accumulated depreciation \$6,797,308) in a broad range of capital assets, including building and building improvements, and computer and audiovisual equipment. (See Table 4) (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was \$543,917.

Table 4

	Governmental Activities	
	2005	2004
Land and construction in progress	\$ 8,074,689	\$ 7,732,044
Buildings and improvements	12,030,309	12,424,752
Equipment	648,766	691,922
Totals	\$ 20,753,764	\$ 20,848,718

BASSETT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

Long-Term Debt

At year-end, the District had \$19,403,460 in certificates of participation (COP's), capital leases, and other long-term debt outstanding – an increase of 10% from last year – as shown in Table 5. (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.)

- The District continued to pay down its debt, retiring outstanding COP's.
- Capital lease additions.

Table 5

	Governmental Activities	
	2005	2004
General obligation bonds	\$ 11,590,000	\$ -
Certificates of participation	-	9,770,000
Compensated absences	362,176	355,474
Capital leases	7,451,284	7,501,657
Totals	\$ 19,403,460	\$ 17,627,131

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District settled labor contracts in 2004-05 for Management/Confidential employees and the Classified Bargaining Unit retroactively to July 1, 2004. These agreements were ratified in the 2005-06 fiscal year. The District agreed to a 1.5% increase on the salary schedule and a 5% increase in cap (from \$6,400 to \$6,720) for health and welfare benefits for Management/Confidential employees. The District agreed to a 18.75% increase in cap (from \$6,400 to \$7,600) for health and welfare benefits for the Classified Bargaining Unit. The different agreements provide an equal compensation package for the two groups. These retroactive agreements will increase the District's expenditure budgets by \$266,965 annually. The District has not yet settled with the Certificated Bargaining Unit.

In addition, the District is faced with various pending lawsuits. The cost of legal fees is projected to increase for the 2005-06 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, Bassett Unified School District, 904 N. Willow Avenue, La Puente, California 91746, or email jballard@bassettk12.ca.us.

BASSETT UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS	Governmental Activities
Deposits and investments	\$ 25,851,402
Receivables	4,459,294
Stores inventories	201,825
Other current assets	730
Note receivable	7,451,284
Capital assets	
Land and construction in process	8,074,689
Other capital assets	19,476,383
Less: Accumulated depreciation	(6,797,308)
Total Capital Assets	20,753,764
Total Assets	58,718,299
LIABILITIES	
Accounts payable	8,180,042
Deferred revenue	1,425,736
Deferred gain on sale	7,792,171
Current portion of long-term obligations	234,767
Noncurrent portion of long-term obligations	19,168,693
Total Liabilities	36,801,409
NET ASSETS	
Invested in capital assets, net of related debt	1,712,480
Restricted for:	
Debt service	266,086
Capital projects	4,773,691
Educational programs	1,543,645
Other activities	6,287,448
Unrestricted	7,333,540
Total Net Assets	\$ 21,916,890

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

BASSETT UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	Expenses	Program Revenues	Net (Expenses) Revenues and Changes in Net Assets
Functions/Programs	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:	\$ 27,275,126	\$ 8,795,163	\$ (17,884,283)
Instruction			
Instruction-related activities:	2,129,379	14,238	(143,493)
Supervision of instruction			
Instructional library, media and technology	349,236	-	8,767
School site administration	3,290,576	8,458	(1,827,645)
Pupil services:			
Home-to-school transportation	867,392	-	(566,269)
Food services	2,202,395	314,534	(35,171)
All other pupil services	2,651,324	1,755,329	(867,538)
General administration:			
Data processing	603,473	3,813	(599,660)
All other general administration	3,120,768	52,349	(2,172,156)
Plant services	5,053,535	41,972	(4,147,699)
Ancillary services	215,294	-	(205,913)
Enterprise services	72,499	10,250	(51,322)
Interest on long-term debt	657,161	-	(657,161)
Other outgo	10,402,597	165,591	(9,291,462)
Total Governmental Activities	\$ 49,695,755	\$ 1,231,549	\$ (29,246,005)
General revenues and subventions:			
Property taxes, levied for general purposes			4,605,904
Federal and State aid not restricted to specific purposes			26,589,261
Interest and investment earnings			447,312
Miscellaneous			1,471,796
Subtotal, General Revenues			33,114,273
Change in Net Assets			3,868,268
Net Assets - Beginning			18,048,622
Net Assets - Ending			\$ 21,916,890

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

BASSETT UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2005

	General Fund	Adult Education Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	\$ 11,597,979	\$ 5,301,928	\$ 2,212,921	\$ 6,738,574	\$ 25,851,402
Receivables	3,351,888	388,739	17,771	700,896	4,459,294
Stores inventory	143,949	-	-	57,876	201,825
Other current assets	730	-	-	-	730
Total Assets	\$ 15,094,546	\$ 5,690,667	\$ 2,230,692	\$ 7,497,346	\$ 30,513,251
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	4,178,178	2,950,414	-	1,051,450	8,180,042
Deferred revenue	1,393,996	31,740	-	-	1,425,736
Total Liabilities	5,572,174	2,982,154	-	1,051,450	9,605,778
FUND BALANCES					
Reserved	1,692,594	-	-	57,876	1,750,470
Unreserved:					
Designated	5,113,837	-	-	-	5,113,837
Undesignated, reported in:					
General Fund	2,715,941	-	-	-	2,715,941
Special revenue funds	-	2,708,513	-	3,578,935	6,287,448
Debt service funds	-	-	-	266,086	266,086
Capital projects funds	-	-	2,230,692	2,542,999	4,773,691
Total Fund Balance	9,522,372	2,708,513	2,230,692	6,445,896	20,907,473
Total Liabilities and Fund Balances	\$ 15,094,546	\$ 5,690,667	\$ 2,230,692	\$ 7,497,346	\$ 30,513,251

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

BASSETT 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		\$20,907,473
Capital assets and long-term liabilities used in governmental activities are not financial resources and, therefore, are not reported as assets and liabilities in governmental funds.		
Capital assets at year end consist of:		
The cost of capital assets is		\$27,551,072
Accumulated depreciation is		(6,797,308)
Net Capital Assets		20,753,764
Long-term notes receivable does not meet the availability criteria under modified accrual basis and are deferred in the funds.		7,451,284
Gain on sale of assets under a sale leaseback transaction are deferred and recognized over the term of the lease.		(7,792,171)
Long-term liabilities at year end consist of:		
General obligation bonds		(11,590,000)
Capital lease obligations		(7,451,284)
Compensated absences		(362,176)
Total Long-Term Liabilities		(19,403,460)
Total Net Assets - Governmental Activities		\$21,916,890

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

BASSETT UNIFIED SCHOOL DISTRICT

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

	General Fund	Adult Education Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	\$ 28,262,685	\$ 4,796,875	\$ -	\$ -	\$ 33,059,560
Federal sources	3,531,030	267,928	-	3,293,382	7,092,340
Other State sources	10,075,398	31,708	-	1,425,990	11,533,096
Other local sources	(337,026)	130,593	50,456	1,018,052	862,075
Total Revenues	41,532,087	5,227,104	50,456	5,737,424	52,547,071
EXPENDITURES					
Current					
Instruction	22,824,454	2,345,598	-	1,597,072	26,767,124
Instruction-related activities:					
Supervision of instruction	1,224,535	37,202	-	867,642	2,129,379
Instructional library, media and technology	344,833	40,906	-	-	385,739
School site administration	2,290,550	1,036,849	-	(36,823)	3,290,576
Pupil services:					
Home-to-school transportation	867,392	-	-	-	867,392
Food services	-	-	-	2,202,395	2,202,395
All other pupil services	2,302,392	270,211	-	102,121	2,674,724
General administration:					
Data processing	614,824	-	-	-	614,824
All other general administration	2,734,036	196,620	-	198,167	3,128,823
Plant services	4,258,323	383,972	-	315,413	4,957,708
Facility acquisition and construction	435	108,293	-	364,509	473,237
Ancillary services	215,294	-	-	-	215,294
Other outgo	1,207,597	-	-	-	1,207,597
Enterprise services	57,228	8,418	-	6,853	72,499
Debt service	-	-	-	-	-
Principal	-	-	-	575,000	575,000
Interest and other	-	-	-	657,161	657,161
Total Expenditures	38,941,893	4,428,069	-	6,849,510	50,219,472
Excess (Deficiency) of Revenues Over Expenditures	2,590,194	799,035	50,456	(1,112,086)	2,327,599
Other Financing Sources (Uses)					
Transfers in	400,000	-	-	290,193	690,193
Other sources	-	-	-	12,245,372	12,245,372
Transfers out	(290,193)	-	-	(400,000)	(690,193)
Other uses	-	-	-	(9,195,000)	(9,195,000)
Net Financing Sources (Uses)	109,807	799,035	50,456	2,940,565	3,050,372
NET CHANGE IN FUND BALANCES	2,700,001	1,909,478	2,180,236	1,828,479	5,377,971
Fund Balance - Beginning	6,822,371	2,708,513	-	4,617,417	15,529,502
Fund Balance - Ending	\$ 9,522,372	\$ 2,708,513	\$ 2,180,236	\$ 6,445,896	\$ 20,907,473

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

BASSETT 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 Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	\$ 5,377,971
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 depreciation exceeds capital outlay in the period.	
Depreciation expense	\$ (543,917)
Capital outlay	<u>448,963</u>
Lease revenue recognized under modified accrual basis on a sale-leaseback transaction where the leaseback is a capital lease and is deferred and recognized over the term of the lease under the accrual basis.	(94,954)
In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits.	361,580
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.	(6,702)
Sale of general obligation bonds	(11,590,000)
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.	
Certificates of participation	9,770,000
Capital lease obligations	<u>50,373</u>
Change in Net Assets of Governmental Activities	<u>\$ 3,868,268</u>

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

BASSETT UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Foundation Scholarship Trust	Agency Funds
ASSETS		
Deposits and investments	\$ 27,215	\$ 98,970
Receivables	219	-
Total Assets	<u>\$ 27,434</u>	<u>\$ 98,970</u>
LIABILITIES		
Due to student groups	-	\$ 98,970
NET ASSETS		
Unrestricted	<u>\$ 27,434</u>	

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

BASSETT UNIFIED SCHOOL DISTRICT

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

	Foundation Scholarship Trust
ADDITIONS	
Interest	\$ 632
DEDUCTIONS	
Other expenditures	1,725
Change in Net Assets	(1,093)
Net Assets - Beginning	28,527
Net Assets - Ending	\$ 27,434

BASSETT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Bassett Unified School District was unified on July 1, 1962 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 four elementary schools, one magnet school, one academy, one senior high school, one continuation high school, and preschool and adult education.

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 Bassett 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 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. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance 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 component units.

Joint Powers Agencies and Public Entity Risk Pools The District is associated with two public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

- San Gabriel Valley School Districts' Self-Insurance Authority (SGVSLIA)
- San Gabriel Valley School Districts' Self-Insurance Authority for Liability Protection (SGVSLALP)

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 two broad fund categories: governmental 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:

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

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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.

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

Special Reserve Capital Outlay Fund The Special Reserve Capital Outlay Fund is used to account for funds set aside for Board designated construction projects.

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:

Child Development Fund The Child Development Fund is used to account for resources committed to child development 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.

Deductible Insurance Fund The Deductible Insurance Fund is used to set aside money for insurance premium payments.

Special Reserve Non-Capital Fund The Special Reserve Non-Capital Fund is used to provide for the accumulation of General Fund monies for general operating purposes.

Retiree Benefits Fund The Retiree Benefits Fund is used to account for the accumulation of resources of the payment of retirees' health and welfare benefits.

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

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, district 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.

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

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.

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).

State School Building Lease-Purchase Fund The State School Building Lease-Purchase Fund is used primarily to account for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17070-17080).

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).

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: foundation scholarship 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's trust fund is the Foundation Scholarship Fund. 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.

The government-wide financial statement of activities presents a comparison between direct expenses for each governmental program. 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. 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.

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental 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.

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.

Fiduciary Funds Fiduciary fund reporting are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements, because they do not represent resources of the District.

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 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.

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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 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.

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. Restricted assets in the funds represent cash and cash equivalents required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of debt issuance.

Stores Inventory

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. 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 financial 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.

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, 25 to 50 years; improvements, 20 to 50 years; equipment, 2 to 20 years.

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized 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 reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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 balance 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 balance, which is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts, stores inventories 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 balance designations have been established for economic uncertainties and other purposes.

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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. 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.

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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	\$ 25,851,402
Fiduciary funds	126,185
Total Deposits and Investments	<u>\$ 25,977,587</u>

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

Cash on hand and in banks	\$ 126,185
Cash in revolving	5,000
Investments	25,846,402
Total Deposits and Investments	<u>\$ 25,977,587</u>

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.

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Changes in Accounting Principles

In March 2003, the Governmental Accounting Standards Board (GASB) issued 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 GASBS 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 2005-06 fiscal year.

In July 2004, GASB issued GASBS 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, 2009. 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 GASBS 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.

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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	Not Applicable	20%	10%
Mortgage Pass-Through Securities	Not Applicable	20%	None
County Pooled Investment Funds	Not Applicable	None	None
Local Agency Investment Fund (LAIF)	Not Applicable	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 holding a majority of its investments in the Los Angeles County Investment Pool. The investment pool purchases 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.

Specific Identification

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	Maturity Date
County Pool	<u>\$25,784,707</u>	<u>7/1/2005</u>

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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 and the actual rating as of the year-end for each investment type.

Investment Type	Maturity Date	Minimum Legal Rating	Rating June 30, 2005	Fair Value
County Pool	7/1/2005	Not Required	Not Rated	<u>\$25,784,707</u>

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 \$38,888 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.

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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	Adult Education Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
Federal Government						
Categorical aid	\$ 327,696	\$ 70,961	\$ -	\$ 289,042	\$ 687,699	\$ -
State Government						
Apportionment	1,982,336	287,167	-	-	2,269,503	-
Categorical aid	250,416	-	-	339,353	589,769	-
Lottery	580,115	-	-	-	580,115	-
Local Government						
Interest	107,145	30,611	17,771	53,954	209,481	219
Other Local Sources	104,180	-	-	18,547	122,727	-
Total	\$ 3,351,888	\$ 388,739	\$ 17,771	\$ 700,896	\$ 4,459,294	\$ 219

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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	\$ 7,732,044	\$ -	\$ -	\$ 7,732,044
Land	-	342,645	-	342,645
Construction in process	-	-	-	-
Total Capital Assets	7,732,044	342,645	-	8,074,689
Capital Assets Being Depreciated	-	-	-	-
Land improvements	9,700	-	-	9,700
Buildings and improvements	17,843,631	-	-	17,843,631
Furniture and equipment	1,516,734	106,318	-	1,623,052
Total Capital Assets	19,370,065	106,318	-	19,476,383
Less Accumulated Depreciation				
Land improvements	117	323	-	440
Buildings and improvements	5,428,462	394,120	-	5,822,582
Furniture and equipment	824,812	149,474	-	974,286
Total Accumulated	6,253,391	543,917	-	6,797,308
Depreciation	\$ 20,848,718	\$ (94,954)	\$ -	\$ 20,753,764
Governmental Activities Capital Assets, Net				

Depreciation expense was charged as a direct expense to government functions as follows:

Governmental Activities	
Instruction	\$ 514,002
Data processing	1,360
All other general administration	1,359
Plant services	27,196
Total Depreciation Expenses Governmental Activities	\$ 543,917

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 - INTERFUND TRANSACTIONS

Operating Transfers

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

	Transfers Out	General Fund	Transfers In Non-Major Governmental Funds	Total
General Fund		\$ 290,193	\$ 400,000	\$ 400,000
Non-Major Governmental Funds		\$ 290,193	-	290,193
Total		\$ 290,193	\$ 400,000	\$ 690,193
				\$ 290,193
				400,000
				\$ 690,193

The General Fund transferred to the Deferred Maintenance Fund.
The Postemployment Benefits Fund transferred to the General Fund.
Total

NOTE 6 - ACCOUNTS PAYABLE

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

	General Fund	Adult Education Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	\$ 1,496,399	\$ 2,930,414	\$ 971,662	\$ 5,418,475
Salaries and benefits	2,681,779	-	-	2,681,779
Construction	-	-	79,788	79,788
Total	\$ 4,178,178	\$ 2,930,414	\$ 1,051,450	\$ 8,180,042

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7 - DEFERRED REVENUE

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

	General Fund	Adult Education Fund	Total Governmental Activities
Federal financial assistance	\$ 858,590	-	\$ 858,590
State categorical aid	487,906	31,740	519,646
Other local	47,500	-	47,500
Total	\$ 1,393,996	\$ 31,740	\$ 1,425,736

NOTE 8 - LONG-TERM LIABILITIES

Long-Term Debt Summary

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

	Balance July 1, 2004	Additions and Adjustments	Deductions	Balance June 30, 2005	Due in One Year
2005 General Obligation Bonds - Series A	\$ -	\$ 11,590,000	\$ -	\$ 11,590,000	\$ -
Certificates of participation	9,770,000	-	9,770,000	-	-
Accumulated vacation - net	355,474	6,702	-	362,176	60,363
Capital leases	7,501,657	-	50,373	7,451,284	174,404
	\$ 17,627,131	\$ 11,596,702	\$ 9,820,373	\$ 19,403,460	\$ 234,767

Payments on the Certificates of Participation are made in the Building Fund.

Payments for accumulated vacation are typically liquidated in the General Fund, Adult Education Fund, and Non-Major Governmental Funds.

Payments for the Capital Lease Obligation are made in the Adult Education Fund.

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Bonded Debt

The District received proceeds of its Series 2005 A, General Obligation Bonds, which totaled \$12,363,352. The bonds were issued to refund the 1999 Certificates of Participation, in denomination of \$5,000 each and dated February 17, 2005. Interest rates vary from 3.25 percent to 5.00 percent. Bond principal is payable as scheduled below. The bonds mature on August 1, 2027, and are subject to redemption prior to maturity.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds	
				Outstanding Beginning of Year	Bonds Outstanding End of Year
2/17/05	8/1/27	3.25-5.0%	\$ 11,590,000	\$ -	\$ 11,590,000

Debt Service Requirements to Maturity

2005 Series A Bonds

Fiscal Year	Principal	Interest and Accreted		Total
		Value	Payment	
2006	\$ -	\$ 503,051	\$ 503,051	\$ 503,051
2007	250,000	562,276	812,276	812,276
2008	300,000	555,757	855,757	855,757
2009	350,000	547,745	897,745	897,745
2010	110,000	542,963	652,963	652,963
2011-2015	1,250,000	2,656,101	3,906,101	3,906,101
2016-2020	1,000,000	2,314,222	3,314,222	3,314,222
2021-2025	4,380,000	1,554,788	5,934,788	5,934,788
2026-2028	3,950,000	309,500	4,259,500	4,259,500
Total	\$ 11,590,000	\$ 9,546,403	\$ 21,136,403	\$ 21,136,403

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2005, amounted to \$362,176.

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Capital Leases

The District has entered into various capital lease arrangements and has recorded capital assets in the amount of \$8,556,288. The District's liability on lease agreements with options to purchase are summarized below:

	Sale Leaseback
Balance, July 1, 2004	\$ 9,643,430
Payments	90,720
Balance, June 30, 2005	\$ 9,552,710

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2006	\$ 227,246
2007	769,562
2008	769,562
2009	769,562
2010	769,562
2011-2015	3,847,810
2016-2019	2,399,406
Total	9,552,710
Less: Amount Representing Interest	2,101,426
Present Value of Minimum Lease Payments	\$ 7,451,284

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Adult Education Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities
Reserved					
Revolving cash	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Stores inventory	143,949	-	-	57,876	201,825
Restricted programs	1,543,645	-	-	-	1,543,645
Total Reserved	1,692,594	-	-	57,876	1,750,470
Unreserved					
Designated					
Economic uncertainties	1,147,570	-	-	-	1,147,570
Other designation	3,966,267	-	-	-	3,966,267
Total Designated	5,113,837	-	-	-	5,113,837
Undesignated					
	2,715,941	2,708,513	2,230,692	6,388,020	14,043,166
	7,829,778	2,708,513	2,230,692	6,388,020	19,157,003
Total Unreserved	\$ 9,522,372	\$ 2,708,513	\$ 2,230,692	\$ 6,445,896	\$ 20,907,473
Total					

NOTE 10 - POSTEMPLOYMENT BENEFITS

The District provides retiree 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, 57 employees meet those eligibility requirements. Certificated employees have two options on retirement: \$7,500 a year for five years, or life of employee, whichever is less; or \$3,000 per year for life. Classified employees will have health coverage with a cap of \$4,700 per year or \$2,000 per year for five years, or the life of the employee, whichever is less. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis; payments are made once a year. During the year, expenditures of \$238,000 were recognized for retirees' health care benefits.

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 11 - RISK MANAGEMENT

Description

The District's risk management activities are recorded in the General and Deductible Insurance Funds. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in the San Gabriel Valley School Districts' Self-Insurance Authority (SGVISA) public entity risk pool (JPA) for the workers' compensation programs and purchases excess liability coverage through the JPA. The Property and Liability Program is administered by the Self-insurance fund with coverage provided by SGVISA/LP. The District has a \$1,000 deductible for the liability coverage and workers' compensation coverage of \$25,000. Excess property and liability coverage is obtained through the San Gabriel Valley School Districts' Self-Insurance Authority for Liability Protection. Refer to Note 14 for additional information regarding the JPA's.

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.

NOTE 12 - 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 \$1,721,110, \$1,787,641, and \$1,822,980, respectively, and equal 100 percent of the required contributions for each year.

BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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 7.0 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 \$701,861, \$760,574, and \$216,894, respectively, and equal 100 percent of the required contributions for each year.

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 \$979,769 (4.517 percent of salaries subject to STRS). No contributions were made for 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 13 - 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.

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BASSETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the San Gabriel Valley School Districts' Self-Insurance Authority (SGVSIA) and the San Gabriel Valley School Districts' Self-Insurance Authority for Liability Protection (SGVSIALP) public entity risk pools. The District pays an annual premium to each entity for its workers' compensation and property liability coverage. The relationships between the District, the pools and the JPA's 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 available from the respective entities.

During the year ended June 30, 2005, the District made payments of \$72,500 and \$126,892, to SGVSIA and SGVSIALP, respectively, for its workers' compensation and property liability coverage.

NOTE 15 - SALE LEASEBACK

On May 15, 2004, the District entered into agreements for the sale and leaseback of the District's Planner Property (land and building), buildings at Bassett High School, and ground leases at 760 Puente Avenue, 1151 N. Van Wig Avenue, 943 N. Sunkist Avenue, 935 Mayland Avenue, and 13855 Don Julian Road with Valley Academies Foundation ("Academy"), a non-profit corporation. The properties sold had book values of \$158,878, \$109,195, and \$27,944, respectively. Under the terms of the agreement, the Academy purchased properties for total consideration of \$8,556,288 and the District entered into fifteen-year leases for use and occupancy of the properties. Adult Education will occupy all properties. All leases qualify for capital lease accounting treatment. The resulting \$8,348,755 gain on the sale of the properties will be deferred and recorded as a non-current liability as of June 30, 2005. The gain will be recognized into income on a straight-line basis over the lease term. At June 30, 2005, the District also had receivable balances due from the Academy, as consideration for the sale of property of \$1,990,720 (current receivables) and \$7,451,284 (long-term notes receivable).

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REQUIRED SUPPLEMENTARY INFORMATION

**BASSETT UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$ 28,493,220	\$ 28,277,666	\$ 28,262,685	\$ (14,981)
Federal sources	3,051,533	3,280,479	3,531,030	250,551
Other State sources	7,664,908	8,074,628	10,075,398	2,000,770
Other local sources	1,691,163	2,373,420	(337,026)	(2,710,446)
Total Revenues [1]	40,900,824	42,006,193	41,532,087	(474,106)
EXPENDITURES				
Current				
Instruction	21,820,092	22,591,506	22,824,454	(232,948)
Instruction-related activities:				
Supervision of instruction	1,255,201	1,333,563	1,224,535	109,028
Instructional library, media, and technology	353,469	375,536	344,833	30,703
School site administration	2,347,912	2,494,491	2,290,550	203,941
Pupil services:				
Home-to-school transportation	859,180	1,004,583	867,392	137,191
All other pupil services	2,280,594	2,350,939	2,302,392	48,547
General administration:				
Data processing	999,063	1,753,479	614,824	1,138,655
All other general administration	4,442,692	2,993,070	2,734,036	259,034
Plant services	5,029,471	5,304,681	4,258,323	1,046,358
Facility acquisition and construction	-	-	435	(435)
Ancillary services	202,340	173,949	215,294	(41,345)
Other outgo	1,718,495	1,718,495	1,207,597	510,898
Enterprise services	40,000	40,000	57,228	(17,228)
Total Expenditures [1]	41,348,509	42,134,292	38,941,893	3,192,399
Excess (Deficiency) of Revenues	(447,685)	(128,099)	2,590,194	2,718,293
Over Expenditures				
Other Financing Sources (Uses)				
Transfers in	400,000	400,000	400,000	-
Transfers out	-	(290,193)	(290,193)	-
Net Financing Sources	400,000	109,807	109,807	-
NET CHANGE IN FUND BALANCES	(47,685)	(18,292)	2,700,001	2,718,293
Fund Balance - Beginning	6,822,371	6,822,371	6,822,371	-
Fund Balance - Ending	\$ 6,774,686	\$ 6,804,079	\$ 9,522,372	\$ 2,718,293

[1] Actual revenues and expenditures include an adjustment for on-behalf payments in accordance with GASB 24. By not including the adjustment, actual revenues would be \$40,552,307. Actual expenditures would be \$37,962,124, which does not exceed the budgeted expenditures.

**BASSETT UNIFIED SCHOOL DISTRICT
ADULT SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$ 3,370,339	\$ 4,378,595	\$ 4,796,875	\$ 418,280
Federal sources	260,000	260,000	267,928	7,928
Other State sources	65,834	65,834	31,708	(34,126)
Other local sources	139,900	149,459	130,593	(18,866)
Total Revenues	3,836,073	4,853,888	5,227,104	373,216
EXPENDITURES				
Current				
Instruction	2,706,654	2,821,737	2,345,598	476,139
Instruction-related activities:				
Supervision of instruction	44,972	46,276	37,202	9,074
Instructional library, media, and technology	49,450	50,884	40,906	9,978
School site administration	1,253,403	1,289,754	1,036,849	252,905
Pupil services:				
All other pupil services	223,994	219,319	270,211	(50,892)
General administration:				
All other general administration	180,000	180,000	196,620	(16,620)
Plant services	517,827	403,608	383,972	19,636
Facility acquisition and construction	787,062	578,907	108,293	470,614
Enterprise services	-	2,340	8,418	(6,078)
Total Expenditures	5,763,362	5,592,825	4,428,069	1,164,756
NET CHANGE IN FUND BALANCES	(1,927,289)	(738,937)	799,035	1,537,972
Fund Balance - Beginning	1,909,478	1,909,478	1,909,478	-
Fund Balance - Ending	\$ (17,811)	\$ 1,170,541	\$ 2,708,513	\$ 1,537,972

APPENDIX C

GENERAL INFORMATION ABOUT THE CITIES OF LA PUENTE, BALDWIN PARK AND THE COUNTY OF LOS ANGELES

General Information

The County. Located along the southern coast of California, Los Angeles County covers about 4,080 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, 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 the Los Angeles County Regional Planning Commission, the 86 incorporated cities in the county covered about 1,344 square miles or 27 percent of the total county. About 16 percent of the land in the county was devoted to residential use and over two thirds of the land was open space and vacant.

The Cities. Located 20 miles east of downtown Los Angeles in the San Gabriel Valley, the Cities of Baldwin Park and La Puente are predominantly residential. Freeway access to the Cities is readily available from the 10 Interstate and 60 Freeway.

During the 1930's, the area was famous for its fruit and walnut groves. The largest walnut packing plant in the world was located in La Puente. Today, the area is predominately residential with commercial land uses located primarily along major highways and streets.

Population

The following table shows population estimates for the City of Baldwin Park, the City of La Puente, the County and the State of California for the past five years as of January 1.

CITIES OF BALDWIN PARK AND LA PUENTE AND LOS ANGELES COUNTY Population Estimates

Area	2002	2003	2004	2005	2006
City of Baldwin Park	78,403	79,581	80,213	80,744	80,986
City of La Puente	42,172	42,645	42,993	43,099	43,164
Los Angeles County	9,829,115	9,979,472	10,088,934	10,166,417	10,245,572
State of California	35,088,671	35,691,472	36,245,016	36,728,196	37,172,015

Source: State of California, Department of Finance.

Industry

The table below lists employment by industry group for Los Angeles County for the years 2001 through 2005.

LOS ANGELES COUNTY Annual Average Labor Force Employment by Industry Group

<u>Wage and Salary Employment: ⁽¹⁾</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Civilian Labor Force	4,752,900	4,769,100	4,769,700	4,776,100	4,821,200
Employment	4,483,400	4,445,800	4,436,900	4,465,300	4,564,700
Unemployment	269,500	323,300	332,800	310,800	256,500
Unemployment Rate	5.7%	6.8%	7.0%	6.5%	5.3%
Agriculture	8,400	7,800	7,800	7,600	7,500
Natural Resources and 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
Wholesale Trade	219,400	217,300	214,100	215,100	218,100
Retail Trade	394,800	398,200	399,300	405,400	412,700
Trans., Warehousing, Utilities	175,600	167,200	161,500	161,100	161,900
Information	226,300	207,300	202,300	211,900	209,600
Financial and Insurance	156,200	159,800	165,000	165,000	165,900
Real Estate, Rental & Leasing	72,700	72,800	74,800	76,700	77,800
Professional and Business Services	588,000	575,000	559,900	562,400	571,500
Educational and Health Services	432,200	450,400	460,400	467,000	469,700
Leisure and Hospitality	348,500	354,200	362,600	372,800	377,400
Other Services	143,200	145,600	145,500	144,700	146,000
Federal Government	54,400	54,100	55,500	54,400	53,700
State Government	79,500	80,800	80,800	79,000	78,100
Local Government	<u>464,500</u>	<u>471,100</u>	<u>463,000</u>	<u>453,800</u>	<u>452,100</u>
Total All Industries ⁽²⁾	4,082,000	4,034,600	3,990,800	4,004,100	4,024,100

⁽¹⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽²⁾ May not add due to rounding.

Source: State of California, Employment Development Department.

The table below lists the larger employers in the Los Angeles County area. Major private employers in the Los Angeles area include those in health care, electronics, retail and package delivery services. Major public sector employers include the State of California and the County.

**LOS ANGELES COUNTY
Major Employers
2006**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Aerospace Corp.	El Segundo	Commercial & Physical Research
American Honda Motor Co.	Torrance	Automobile & Truck Brokers
Amtrak	Los Angeles	Gov. Railroad
California Institute of Technology	Pasadena	Non-Profit Organization
California State University	Long Beach	University
Edison International	Rosemead	Utility
Fox Films	Los Angeles	Television & Broadcasting
Jet Propulsion Lab	Pasadena	Marketing Programs & Services
Kaiser Foundation Hospital	Los Angeles	Hospital
Kaiser Permanente	Los Angeles	Physicians & Surgeons
King Drew Medical Center	Los Angeles	Hospital
Little Company of Mary Hospital	Torrance	Hospital
Lockheed Martin Aeronautics Co.	Burbank	Library
Long Beach Memorial Medical Cntr	Long Beach	Hospital
Memorial Rehabilitation Hospital	Long Beach	Rehabilitation Service
Six Flags	Valencia	Amusement Park
UCLA	Los Angeles	University
University of Southern California	Los Angeles	University
VA Greater Los Angeles	Los Angeles	Hospital
Walt Disney Company	Burbank	Motion Picture Studio
Westcoast	Carson	Marketing Programs & Services
Xerox Corporation	El Segundo	Office Machines

Source: State of California Employment Development Department.

Commercial Activity

During the first and second quarters of 2005, total taxable transactions in the City of Baldwin Park were reported to be \$246,221,000, an 8.7% increase over the total taxable transactions of \$226,434,000 that were reported in the City during the first and second quarters of 2004. A summary of historic taxable sales within the City during the past five years for which data is available is shown in the following table. Annual figures are not yet available for 2005.

CITY OF BALDWIN PARK Taxable Transactions (dollars in thousands)

<u>Business</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Apparel Stores	\$6,108	\$6,243	\$6,388	\$6,360	\$6,689
General Merchandise	37,166	41,433	39,931	39,908	71,976
Food Stores	27,018	24,894	25,097	24,592	23,311
Eating & Drinking Places	37,898	41,502	44,080	44,739	48,338
Home Furn. & Appliances	2,833	3,359	3,127	3,426	3,733
Bldg. Mat. & Farm Impl.	48,097	57,201	67,176	78,802	104,828
Auto Dirs. & Auto Suppl.	12,673	11,603	13,855	12,268	11,391
Service Stations	25,504	34,963	36,330	43,293	51,690
Other Retail Stores	<u>64,568</u>	<u>62,994</u>	<u>73,872</u>	<u>73,087</u>	<u>76,115</u>
Retail Stores Total	261,865	284,192	309,856	326,475	398,071
All Other Outlets	<u>93,218</u>	<u>80,721</u>	<u>70,938</u>	<u>83,090</u>	<u>81,800</u>
TOTAL ALL OUTLETS	355,083	364,913	380,794	409,565	479,871

Source: California State Board of Equalization.

During the first and second quarters of 2005, total taxable transactions in the City of La Puente were reported to be \$111,409,000, a 5% decrease over the total taxable transactions of \$111,409,000 that were reported in the City during the first and second quarters of 2004. A summary of historic taxable sales within the City during the past five years for which data is available is shown in the following table. Annual figures are not yet available for 2005.

CITY OF LA PUENTE Taxable Transactions (dollars in thousands)

<u>Business</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Apparel Stores	\$5,135	\$5,303	\$8,572	\$9,257	\$11,243
General Merchandise	16,093	16,496	17,803	17,714	16,622
Food Stores	24,283	24,936	27,171	22,135	19,635
Eating & Drinking Places	27,702	28,414	30,021	31,821	33,488
Home Furn. & Appliances	5,443	5,409	5,394	6,033	6,364
Bldg. Mat. & Farm Impl.	(1)	6,902	7,142	(1)	(1)
Auto Dirs. & Auto Suppl.	59,292	69,656	72,716	74,724	69,254
Service Stations	11,724	13,863	12,643	17,636	17,556
Other Retail Stores	<u>27,262</u>	<u>20,623</u>	<u>21,580</u>	<u>24,684</u>	<u>24,630</u>
Retail Stores Total	176,934	191,602	203,042	204,004	198,792
All Other Outlets	<u>29,843</u>	<u>34,189</u>	<u>29,186</u>	<u>20,950</u>	<u>23,381</u>
TOTAL ALL OUTLETS	206,777	225,791	232,228	224,954	222,173

(1) Included in "Other Retail Stores" category for this year.

Source: California State Board of Equalization.

During the first and second quarters of 2005, total taxable transactions in Los Angeles County were reported to be \$62,410,122,000, or 6% greater than the total taxable transactions of \$58,881,870,000 that were reported in the County during the first two quarters of 2004. A summary of historic taxable sales within the County during the past five years for which data is available is shown in the following table. Annual figures are not yet available for 2005.

LOS ANGELES COUNTY
Taxable Transactions
(dollars in thousands)

<u>Year</u>	<u>Retail Permits on July 1</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits on July 1</u>	<u>Total Outlets Taxable Transactions</u>
2000	103,771	\$70,321,379	268,431	\$106,673,534
2001	116,966	71,834,562	280,566	107,426,692
2002	120,420	74,547,977	281,496	108,753,064
2003	128,313	79,426,726	289,892	113,685,422
2004	134,717	86,496,685	295,398	122,533,104

Source: State of California, Board of Equalization.

Construction Trends

Provided below are the building permits and valuations for the City of Baldwin Park, the City of La Puente and the County for calendar years 2001 through 2005.

CITY OF BALDWIN PARK
Total Building Permit Valuations
(valuations in thousands)

	2001	2002	2003	2004	2005
Permit Valuation:					
New Single-family	\$7,195.3	\$12,072.0	\$2,474.0	\$21,357.3	7,191.5
New Multi-family	0.0	4,876.9	5,292.6	0.0	0.0
Res. Alterations/Additions	<u>3,950.9</u>	<u>4,507.6</u>	<u>3,626.0</u>	<u>9,824.2</u>	<u>8,198.3</u>
Total Residential	11,146.2	21,456.5	11,392.6	31,181.6	15,389.8
New Commercial	1,625.6	2,532.6	5,706.1	3,322.4	0.0
New Industrial	394.0	0.0	4,445.1	600.6	0.0
New Other	0.0	60.0	55.7	409.0	580.3
Com. Alterations/Additions	<u>3,570.0</u>	<u>1,892.1</u>	<u>2,559.5</u>	<u>4,149.3</u>	<u>4,495.2</u>
Total Nonresidential	5,589.6	4,484.7	12,766.4	8,481.3	5,075.5
New Dwelling Units:					
Single Family	61	91	24	136	31
Multiple Family	<u>0</u>	<u>70</u>	<u>75</u>	<u>0</u>	<u>0</u>
TOTAL	61	161	99	136	31

Source: Construction Industry Research Board, Building Permit Summary.

CITY OF LA PUENTE
Total Building Permit Valuations
(valuations in thousands)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Permit Valuation</u>					
New Single-family	\$ 1,216.6	\$ 3,515.6	\$ 3,175.1	\$ 5,325.0	\$ 3,513.7
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>1,909.4</u>	<u>3,979.3</u>	<u>7,351.3</u>	<u>7,931.9</u>	<u>4,942.5</u>
Total Residential	3,126.0	7,494.9	10,526.4	13,256.9	8,456.2
New Commercial	1,113.6	822.5	780.7	2,284.6	686.9
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	92.1	252.4	172.9	732.2	389.9
Com. Alterations/Additions	<u>513.4</u>	<u>818.5</u>	<u>1,438.5</u>	<u>1,823.7</u>	<u>1,075.2</u>
Total Nonresidential	1,719.1	1,893.4	2,392.2	4,840.5	2,152.0
<u>New Dwelling Units</u>					
Single Family	8	18	20	35	25
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	8	18	20	35	25

Source: Construction Industry Research Board, Building Permit Summary.

LOS ANGELES COUNTY
Total Building Permit Valuations
(valuations in thousands)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Permit Valuation</u>					
New Single-family	\$1,946,804.2	\$2,031,609.8	\$2,584,850.1	\$2,923,786.0	\$2,915,511.7
New Multi-family	1,066,438.5	1,094,703.1	1,178,699.9	1,915,862.5	1,810,154.7
Res. Alterations/Additions	<u>972,492.7</u>	<u>1,172,433.0</u>	<u>1,390,128.9</u>	<u>1,727,799.4</u>	<u>1,962,196.0</u>
Total Residential	3,985,735.4	4,298,745.8	5,153,678.9	6,567,448.0	6,687,862.3
New Commercial	1,241,821.6	951,063.1	687,654.4	975,900.5	1,073,445.9
New Industrial	201,927.2	225,428.5	276,414.1	178,199.5	277,419.0
New Other	549,208.5	446,748.1	602,067.1	615,702.5	804,290.5
Com. Alterations/Additions	<u>1,558,316.5</u>	<u>1,297,057.0</u>	<u>1,376,541.5</u>	<u>1,403,741.8</u>	<u>1,668,983.1</u>
Total Nonresidential	3,551,273.8	2,920,296.7	2,931,677.1	3,173,544.4	3,824,138.4
<u>New Dwelling Units</u>					
Single Family	8,181	8,217	10,217	11,752	11,911
Multiple Family	<u>9,926</u>	<u>11,147</u>	<u>11,096</u>	<u>15,183</u>	<u>13,736</u>
TOTAL	18,107	19,364	21,313	26,935	25,647

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

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

According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the County of Los Angeles, the State and the United States for the period 2000 through 2004.

**COUNTY OF LOS ANGELES
Effective Buying Income
2000 through 2004**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2000	Los Angeles County	\$169,417,226	\$41,628
	California	652,190,282	44,464
	United States	5,230,824,904	39,129
2001	Los Angeles County	\$170,440,432	\$40,789
	California	650,521,407	43,532
	United States	5,303,481,498	38,365
2002	Los Angeles County	\$162,413,790	\$37,983
	California	647,879,427	42,484
	United States	5,340,682,818	38,035
2003	Los Angeles County	\$169,307,295	\$38,311
	California	674,721,020	42,924
	United States	5,466,880,008	38,201
2004	Los Angeles County	\$177,575,730	\$39,414
	California	705,108,410	43,915
	United States	5,692,909,567	39,324

Source: Sales & Marketing Management Survey of Buying Power.

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APPENDIX D

FORMS OF OPINIONS OF BOND COUNSEL

Series B Bonds

August, 2006

Board of Education
Bassett Unified School District

OPINION: \$6,614,360.70 Bassett Unified School District (Los Angeles County, California) General Obligation Bonds, Election of 2004, Series B

Members of the Board of Education:

We have acted as bond counsel to the Bassett Unified School District (the "District") in connection with the issuance by the Board of Supervisors of the County of Los Angeles (the "Board"), for and on behalf of the District, of \$6,614,360.70 principal amount of Bassett Unified School District (Los Angeles County, California) General Obligation Bonds, Election of 2004, Series B (the "Bonds"), pursuant to Title 1 Division 1, Part 10, Chapter 1, (commencing with Section 15100) of the California Education Code (the "Act") and a resolution of the Board of Supervisors of the County adopted July 5, 2006 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The District is a duly created and validly existing school district with the power to issue the Bonds and to perform its obligations under the Resolution and the Bonds.
2. The Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable upon the District.
3. Pursuant to the Act, the Resolution creates a valid lien on funds pledged by the Resolution for the security of the Bonds.
4. The Bonds have been duly authorized, executed and delivered by the District and are valid and binding general obligations of the District, and the District is required under the Act to levy an ad valorem tax upon the property in the District, without regard to rate or amount, for the payment of principal (or Accreted Value) of and interest on the Bonds.
5. The 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; it should be noted, 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 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 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.

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

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

Respectfully submitted,

A Professional Law Corporation

Series C Bonds

August, 2006

Board of Education
Bassett Unified School District

OPINION: \$4,021,831.55 Bassett Unified School District (Los Angeles County, California) General Obligation Bonds, Election of 2004, Series C

Members of the Board of Education:

We have acted as bond counsel to the Bassett Unified School District (the "District") in connection with the issuance by the District of \$4,021,831.55 principal amount of Bassett Unified School District (Los Angeles County, California) General Obligation Bonds, Election of 2004, Series C (the "Bonds"), pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act") and a resolution of the Board of Education of the District (the "Board") adopted May 25, 2006 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The District is a duly created and validly existing school district with the power to issue the Bonds and to perform its obligations under the Resolution and the Bonds.
2. The Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable upon the District.
3. Pursuant to the Act, the Resolution creates a valid lien on funds pledged by the Resolution for the security of the Bonds.
4. The Bonds have been duly authorized, executed and delivered by the District and are valid and binding general obligations of the District, and the District is required under the Act to levy an ad valorem tax upon the property in the District, without regard to rate or amount, for the payment of principal (or Accreted Value) of and interest on the Bonds.
5. The 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; it should be noted, 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 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 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.

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

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

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$6,614,360.70
BASSETT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Bonds
Election of 2004, Series B

\$4,021,831.55
BASSETT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Bonds
Election of 2004, Series C

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Bassett Unified School District (the "District") in connection with the issuance of Bassett Unified School District (County of Los Angeles, California) General Obligation Bonds Election of 2004, Series B and Bassett Unified School District (County of Los Angeles, California) General Obligation Bonds Election of 2004, Series C (collectively, the "Bonds"). The Bonds are being issued pursuant to Resolutions adopted by the Board of Education of the District on May 25, 2006 and a Resolution of the Board of Supervisors of the County of Los Angeles, for and on behalf of the District, adopted on May 25, 2006 (the "Bond Resolutions"). The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine 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 fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District’s fiscal year changes, it shall give notice of such change 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 pursuant to 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 pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to 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) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 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 pursuant to the Bond Resolutions.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. 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 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

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

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 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 applicable series of Bonds in the manner provided in the Bond Resolutions for amendments to the Bond Resolutions 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 pursuant to the provisions hereof, the first annual financial information filed

pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

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

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

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

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Date: August 2, 2006

BASSETT UNIFIED SCHOOL DISTRICT

By: _____
Assistant Superintendent, Business

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Bassett Unified School District

Name of Bond Issue: \$6,614,360.70 aggregate principal amount of Bassett Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2004, Series B
and
\$4,021,831.55 aggregate principal amount of Bassett Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2004, Series C

Date of Issuance: August 2, 2006

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolutions authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by

_____.

Dated: _____

BASSETT UNIFIED SCHOOL DISTRICT

By _____
Superintendent

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

The following description of DTC, the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. Neither the issuer of the Bonds (the "Issuer") nor the trustee, paying agent or fiscal agent appointed with respect to the Bonds (the "Trustee") take any responsibility for the information contained in this Appendix.

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

DTC and its Participants.

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

Book-Entry Only System.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by 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 Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Issuer or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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

Municipal Bond New Issue Insurance Policy

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

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

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

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

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



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

Municipal Bond New Issue Insurance Policy

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

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

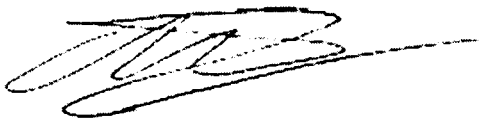


President

Effective Date:

Authorized Representative

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



Authorized Officer



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

Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number: 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

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

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer

U.S. Bank Trust National Association, as Fiscal Agent



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

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

Policy Number:

Control Number: 0010001

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

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

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

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

**Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent**



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

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

Policy Number:

Control Number: 0010001

Notwithstanding the terms and conditions in this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

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

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

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George K. Baum & Company