REFUNDING ISSUE — BOOK-ENTRY ONLY

RATING:
INSURED: Standard & Poor's: AAA
Moody's: Aaa
(See "BOND INSURANCE" and "MISCELLANEOUS — Rating" herein).

In the opinion of Orrick Herrington & Sutcliffe LLP, Bond Counsel to the Castro Valley Unified School District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "LEGAL MATTERS — Tax Matters" herein.

$18,565,000
CASTRO VALLEY UNIFIED SCHOOL DISTRICT
(Alameda County, California)
2006 General Obligation Refunding Bonds

Dated: Date of Delivery

Due: August 1, as shown below

The Bonds are issued by the Castro Valley Unified School District (the "District"), to advance refund certain previously issued bonds, as described herein. The Board of Supervisors of Alameda County is empowered and is obligated to annually levy ad valorem taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), for the payment of interest on, and principal of, the Bonds, all as more fully described herein under "THE BONDS" and "AD VALOREM PROPERTY TAXATION."

Interest on the Bonds is payable semiannually on each February 1 and August 1 commencing February 1, 2007. The Bonds, when delivered, will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds as described herein under "THE BONDS — Book-Entry System."

The Bonds due on or before August 1, 2016, are not subject to optional redemption; the Bonds due on and after August 1, 2017 are subject to optional redemption as described herein under "THE BONDS — Redemption."

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) 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 SECURITY ASSURANCE INC. See "BOND INSURANCE" herein

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

MATURITY SCHEDULE
(Base CUSIP[(1)]: 148685)

Maturity (August 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP[(1)]	Maturity (August 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP[(1)]
2007	$370,000	4.000%	3.350%	HY 9	2017	$ 955,000*	4.000%	3.750%	JJ 0
2008	200,000	4.000	3.400	HZ 6	2018	1,000,000*	4.000	3.850	JK 7
2009	705,000	4.000	3.420	JA 9	2019	1,035,000*	4.000	3.950	JL 5
2010	740,000	4.000	3.440	JB 7	2020	1,075,000	4.000	100	JM 3
2011	775,000	4.000	3.460	JC 5	2021	1,120,000	4.000	100	JN 1
2012	795,000	4.000	3.480	JD 3	2022	1,160,000	4.000	100	JP 6
2013	825,000	4.000	3.520	JE 1	2023	1,210,000	4.125	100	JQ 4
2014	855,000	4.000	3.570	JF 8	2024	1,255,000	4.125	100	JR 2
2015	890,000	4.000	3.620	JG 6	2025	1,310,000	4.125	100	JS 0
2016	920,000	4.000	3.670	JH 4	2026	1,370,000	4.200	100	JT 8

*Priced to the August 1, 2016 Call Date at Par.

Pursuant to the terms of a public sale on November 8, 2006, the Bonds were awarded to Banc of America Securities, LLC, as Underwriter, at a true interest cost of 4.045852%. The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through The Depository Trust Company in New York, New York, on or about November 21, 2006.

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

Official Statement Date: November 8, 2006.

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

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

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

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

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Board of Education

Janice Friesen
President

Jo A. S. Loss
Vice President/Clerk

John Barbieri
Member

George Granger
Member

Kunio Okui
Member

District Administration

James L. Fitzpatrick
District Superintendent of Schools

Jerry Macy
Deputy Superintendent, Business Services

Gael Treible
Director of Business Services

PROFESSIONAL SERVICES

Financial Advisor

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

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Paying Agent/Escrow Agent

U.S. Bank National Association
San Francisco, California

Verification Agent

Causey Demgen & Moore Inc.
Denver, Colorado

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OFFICIAL STATEMENT

$18,565,000
CASTRO VALLEY UNIFIED SCHOOL DISTRICT
(Alameda County, California)
2006 General Obligation Refunding Bonds

INTRODUCTION

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

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of $18,565,000 principal amount of Castro Valley Unified School District (Alameda County, California), 2006 General Obligation Refunding Bonds (the "Bonds"), as described more fully herein.

The District

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

Sources of Payment for the Bonds

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

Bond Insurance

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Financial Security Assurance Inc. See "BOND INSURANCE" herein.

Purpose of the Bonds

The proceeds of the Bonds are authorized to be used to advance refund the Prior Bonds, as defined herein. See "THE BONDS — Purpose of the Issue."

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code (the "Government Code") and other applicable law, and pursuant to a resolution adopted by the Board Of Education of the District. See "THE BONDS — Authority for Issuance" herein.

Description of the Bonds

The Bonds will be issued as current interest bonds without coupons in denominations of $5,000 each, or any integral multiple thereof and will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as DTC, or Cede & Co., as its nominee, is the registered owner of all the Bonds, payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined herein) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined herein) will be the responsibility of the DTC Participants, as more fully described hereinafter. See "THE BONDS — Description of the Bonds; Book-Entry System" and "— Payment to Holders" herein.

The Bonds will bear interest semiannually each February 1 and August 1, commencing February 1, 2007, from the Date of Delivery calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of the Bonds will be paid, subject to any optional redemption, on the dates and in the amounts set forth on the cover page hereof. See "THE BONDS" herein.

The Bonds maturing on and after, August 1, 2017 may be redeemed prior to maturity at the option of the District beginning on August 1, 2016, as described under "THE BONDS — Redemption" herein.

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "LEGAL MATTERS — Tax Matters" herein.

Verification of Mathematical Accuracy

Causey Demgen & Moore Inc., Denver, Colorado, independent certified public accountants, acting as verification agent with respect to the refunding (the "Verification Agent"), will deliver a report of the mathematical accuracy of certain computations relating to the sufficiency of funds to be held in escrow to refund the Refunded Bonds. See "MISCELLANEOUS — Verification of Mathematical Accuracy" herein.

Professionals Involved in the Offering

With respect to the Bonds, Kelling, Northcross & Nobriga, A Division of Zions First National Bank, Oakland, California, is the District's financial advisor (the "Financial Advisor") (see "MISCELLANEOUS — Financial Advisor" herein) and Orrick, Herrington & Sutcliffe LLP, San Francisco, California, is the District's bond counsel (the "Bond Counsel"). U.S. Bank National Association, San Francisco, California, will act on behalf of the County as paying agent, registrar and transfer agent (the "Paying Agent") with respect to the Bonds and as escrow agent (the "Escrow Agent") with respect to the Prior Bonds. The Financial Advisor, Bond Counsel, Paying Agent, and Escrow Agent will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Offering and Delivery of the Bonds

The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through DTC in New York, New York on or about November 21, 2006.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide notices of the occurrence of certain enumerated events, if material. See "MISCELLANEOUS — Continuing Disclosure" herein.

Copies of documents referred to herein and information concerning the Bonds are available from the Business Office, Castro Valley Unified School District, 4400 Alma Avenue, Castro Valley, CA 94546 (510) 537-3000. The District may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE BONDS

Authority for Issuance

The Bonds are issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, commencing with Section 53550 (the "Code") and other applicable law, and pursuant to the Paying Agent Agreement, as authorized by the Board of Education of the District by a resolution adopted on October 26, 2006. Pursuant to the Code and the State constitution, bonds issued for the purpose of refunding outstanding bonds previously authorized by the voters that reduce debt service obligation of taxpayers do not require an additional voter approval either for issuance of such refunding bonds or the levy of ad valorem property tax sufficient to pay principal and interest as due on the refunding bonds.

The District received authorization to issue $36.555 million of bonds at an election held on April 14, 1998, by an affirmative vote of 68.3% of the votes cast (the "Authorization"). A two-thirds vote in favor was required. The District issued five series of bonds under the Authorization. See "DISTRICT INFORMATION — District Debt."

Purpose of the Issue

Net proceeds of the Bonds are authorized to be used to advance refund the District's prior bonds as described below (the "Prior Bonds"):

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Prior Bonds To Be Refunded

Series	Dated Issued	Final Maturity Date	First Call Date	Principal Amount Issued	Principal Outstanding As of November 1, 2026	Maturities to be Refunded (August 1)	Principal to be Refunded
Election of 1998, Series 1998	8/6/1998	8/1/2023	8/1/07	$6,000,000	$3,690,000	2008 – 2023	$3,605,000
Election of 1998, Series 2000	8/3/2000	8/1/2025	8/1/08	8,500,000	7,395,000	2009 – 2025	6,925,000
Election of 1998, Series 2001	8/20/2001	7/1/2026	8/1/08	8,100,000	7,590,000	2009 – 2026	7,165,000

A portion of the proceeds from the sale of the Bonds will be deposited in an escrow fund (the "Escrow Fund") to be created and maintained by the Escrow Agent under the Escrow Agreement, dated November 21, 2006, between the District and the Escrow Agent. Monies in the Escrow Fund will be invested in direct, noncallable obligations of the U.S. Treasury, the principal of which will be sufficient for the redemption of the Election of 1998, Series 1998 Bonds on August 1, 2007 and the Election of 1998 Series 2000 and Series 2001 Bonds on August 1, 2008.

Proceeds of the Bonds will also be used to pay costs associated with the issuance of the Bonds and the refunding of the Prior Bonds. Any proceeds of the sale of the Bonds not needed to fund the Escrow Fund or to pay costs of issuance of the Bonds will be transferred to the County Treasury for deposit to the credit of the Castro Valley Unified School District 2006 General Obligation Refunding Bonds Debt Service Fund ("Debt Service Fund"). All funds held by the County in the Debt Service Fund shall be applied to the payment of principal and interest on the Bonds, and until needed for such purpose shall be invested at the discretion of the County pursuant to law and the investment policy of the County.

Monies in the Debt Service Fund may be invested in any one or more investments generally permitted to school districts under the laws of the State, consistent with County investment policy and the Resolution. The Resolution authorizes investment in the Local Agency Investment Fund in the California State Treasury and investment agreements, including guaranteed investment contracts, with a financial entity whose long-term debt is rated by Moody's Investors Service and Standard & Poor's Ratings Services in one of their two highest rating categories, and whose short-term debt is rated no lower than the corresponding level of rating category for such debt, and so long as any such guaranteed investment contract is approved in writing by any municipal bond insurer insuring the Bonds. The District has delegated to the County Treasurer, pursuant to Section 53607 of the Government Code, its authority under Section 41015 of the Education Code and Section 53601 of the Government Code to invest proceeds of the Bonds held in the Treasury of the County. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION – County Investment Pool" herein and "APPENDIX D – EXCERPTS FROM THE ALAMEDA COUNTY INVESTMENT PORTFOLIO REPORT."

Sources and Uses of Funds

The proceeds of the Bonds are expected to be applied as follows:

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Sources and Uses of Funds

Sources of Funds	
Principal Amount of Bonds	$18,565,000.00
Original Issue Premium	200,020.15
Total Sources	$18,765,020.15
Uses of Funds	
Deposit to Escrow Fund	$18,386,844.79
Deposit to Cost of Issuance Fund[a]	145,830.00
Underwriter's Compensation	178,720.04
Insurance Premium	33,300.50
Deposit to County Held Debt Service Fund	20,324.82
Total Uses	$18,765,020.15

[a] Includes estimated fees for Financial Advisor, Bond Counsel, rating agencies, printing and distribution of preliminary official statement and final official statement, Verification Agent, Paying Agent/Escrow Agent, and miscellaneous costs of issuance.

Description of the Bonds

The Bonds in the aggregate principal amount of $18,565,000 will be dated the date of delivery and will bear interest payable semiannually each February 1 and August 1 (each an "Interest Payment Date"), commencing February 1, 2007, at the interest rates shown on the cover hereof. The Bonds will mature on August 1 in each of the years and in the principal amounts shown on the cover page hereof. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond authenticated on or before January 15, 2007, shall bear interest from the date of the Bonds. Each Bond authenticated during the period between the 15th day of the month preceding any Interest Payment Date (the "Record Date") and that Interest Payment Date shall bear interest from that Interest Payment

Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication.

The Bonds will be issued in the denomination of $5,000 principal amount each or any integral multiple thereof. The Bonds when issued will be registered in the name of Cede & Co., as registered owner and nominee of DTC. So long as DTC, or Cede & Co., as its nominee, is the registered owner of all the Bonds, principal and interest payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined below) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined below) will be the responsibility of the DTC Participants, as more fully described below under "Book-Entry System." Only if the Bonds should cease to be paid through a book-entry system would the Paying Agent make payments on the Bonds directly to Beneficial Owners, as registered owners of the Bonds, as more fully described below under "Payment to Holders"

Security and Sources of Payment

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

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

Book-Entry System

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

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

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

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

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

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

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

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

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

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

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

Payment to Holders

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

Principal of the Bonds and any premium upon the redemption thereof prior to the maturity will be payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Paying Agent, or such other location as the Paying Agent may specify. Interest shall be paid by check to the owner of any Bond at the address of such owner shown on the registration books of the Paying Agent, or at such other address the owner of the Bond has filed with the Paying Agent for such purpose on or before the Record Date. Owners of not less than $1,000,000 in principal amount of Bonds may, by written request received by the Paying Agent not later than the Record Date immediately preceding any Interest

Payment Date, have interest payments made on the date due by wire transfer to an account maintained in the United States of America in immediately available funds.

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

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

Debt Service

Debt service obligations for the District's outstanding bonds and the Bonds, assuming that no optional redemptions are made, are as follows:

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Debt Service

Payment Date	Outstanding Bonds[a]	The Bonds Principal	The Bonds Interest	The Bonds Total	Aggregate Annual Debt Service
2/1/2007	$ 1,521,619.14		$ 145,844.76	$ 145,844.76	
8/1/2007	2,456,165.01	$ 370,000.00	375,029.38	745,029.38	$ 4,868,658.29
2/1/2008	1,173,566.26		367,629.38	367,629.38	
8/1/2008	2,793,566.26	200,000.00	367,629.38	567,629.38	4,902,391.28
2/1/2009	1,129,638.14		363,629.38	363,629.38	
8/1/2009	2,304,638.14	705,000.00	363,629.38	1,068,629.38	4,866,535.04
2/1/2010	1,099,025.64		349,529.38	349,529.38	
8/1/2010	2,479,025.64	740,000.00	349,529.38	1,089,529.38	5,017,110.04
2/1/2011	1,066,838.14		334,729.38	334,729.38	
8/1/2011	2,536,838.14	775,000.00	334,729.38	1,109,729.38	5,048,135.04
2/1/2012	1,033,160.64		319,229.38	319,229.38	
8/1/2012	2,578,160.64	795,000.00	319,229.38	1,114,229.38	5,044,780.04
2/1/2013	997,724.39		303,329.38	303,329.38	
8/1/2013	2,612,724.39	825,000.00	303,329.38	1,128,329.38	5,042,107.54
2/1/2014	960,699.39		286,829.38	286,829.38	
8/1/2014	2,645,699.39	855,000.00	286,829.38	1,141,829.38	5,035,057.54
2/1/2015	925,038.14		269,729.38	269,729.38	
8/1/2015	2,695,038.14	890,000.00	269,729.38	1,159,729.38	5,049,535.04
2/1/2016	890,456.89		251,929.38	251,929.38	
8/1/2016	2,715,456.89	920,000.00	251,929.38	1,171,929.38	5,029,772.54
2/1/2017	854,103.14		233,529.38	233,529.38	
8/1/2017	2,759,103.14	955,000.00	233,529.38	1,188,529.38	5,035,265.04
2/1/2018	815,415.64		214,429.38	214,429.38	
8/1/2018	2,790,415.64	1,000,000.00	214,429.38	1,214,429.38	5,034,690.04
2/1/2019	775,050.64		194,429.38	194,429.38	
8/1/2019	2,830,050.64	1,035,000.00	194,429.38	1,229,429.38	5,028,960.04
2/1/2020	732,386.26		173,729.38	173,729.38	
8/1/2020	2,867,386.26	1,075,000.00	173,729.38	1,248,729.38	5,022,231.28
2/1/2021	686,855.63		152,229.38	152,229.38	
8/1/2021	2,926,855.63	1,120,000.00	152,229.38	1,272,229.38	5,038,170.02
2/1/2022	638,548.13		129,829.38	129,829.38	
8/1/2022	2,968,548.13	1,160,000.00	129,829.38	1,289,829.38	5,026,755.02
2/1/2023	587,554.38		106,629.38	106,629.38	
8/1/2023	3,022,554.38	1,210,000.00	106,629.38	1,316,629.38	5,033,367.52
2/1/2024	533,643.13		81,673.13	81,673.13	
8/1/2024	3,073,643.13	1,255,000.00	81,673.13	1,336,673.13	5,025,632.52
2/1/2025	476,815.00		55,788.75	55,788.75	
8/1/2025	3,126,815.00	1,310,000.00	55,788.75	1,365,788.75	5,025,207.50
2/1/2026	417,426.88		28,770.00	28,770.00	
8/1/2026	3,192,426.88	1,370,000.00	28,770.00	1,398,770.00	5,037,393.76
2/1/2027	354,531.88				
8/1/2027	3,249,531.88				3,604,063.76
2/1/2028	288,718.13				
8/1/2028	2,718,718.13				3,007,436.26
2/1/2029	234,829.38				
8/1/2029	1,764,829.38				1,999,658.76
2/1/2030	200,614.38				
8/1/2030	1,795,614.38				1,996,228.76
2/1/2031	162,059.38				
8/1/2031	1,367,059.38				1,529,118.76
2/1/2032	131,934.38				
8/1/2032	1,391,934.38				1,523,868.76
2/1/2033	100,434.38				
8/1/2033	1,415,434.38				1,515,868.76
2/1/2034	67,559.38				
8/1/2034	1,442,559.38				1,510,118.76
2/1/2035	33,184.38				
8/1/2035	1,468,184.38				1,501,368.76
Total	$90,878,408.41	$18,565,000.00	$8,956,078.06	$27,521,078.06	$118,399,486.47

[a] See "DISTRICT INFORMATION – District Debt" for a description of other outstanding bonds of the District.

Redemption

Optional Redemption

The Bonds maturing on or before August 1, 2016, are not subject to optional redemption. Bonds maturing on and after August 1, 2017, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 2016, at the optional redemption prices set forth below. If less than all of the Bonds are called for redemption, such Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District, and if less than all of the Bonds of any given maturity are called for redemption, the portions of such Bonds of a given maturity to be redeemed shall be determined by lot.

Redemption Date	Redemption Price
August 1, 2016, and thereafter	100%

Notice of Redemption

Notice of optional, unscheduled or contingent redemption of any of the Bonds shall be given by the Paying Agent upon the written request of the District. Notice of any redemption of Bonds shall be mailed, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date (a) by first class mail to the registered owners of the Bonds at the addresses appearing on the Bond registration books, (b) by secured mail to all organizations registered with the Securities and Exchange Commission as securities depositories, (c) to at least two information services of national recognition which disseminate redemption information with respect to municipal securities, and (d) as may be further required in accordance with the continuing disclosure certificate of the District described in APPENDIX C.

Each notice of redemption shall contain all of the following information: (a) the date of such notice; (b) the name of the Bonds and the date of issue of the Bonds; (c) the redemption date; (d) the redemption price; (e) the dates of maturity of the Bonds to be redeemed; (f) (if less than all of the Bonds of any maturity are to be redeemed) the distinctive numbers of the Bonds of each maturity to be redeemed; (g) (in the case of Bonds redeemed in part only) the respective portions of the principal amount of the bonds of each maturity to be redeemed; (h) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (i) a statement that such Bonds must be surrendered by the registered owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; and (j) notice that further interest on such Bonds will not accrue after the designated redemption date.

Effect of Notice of Redemption

The actual receipt by the registered owner of any Bond or any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption. The owners of Bonds so called for redemption after the redemption date shall look for the payment of principal, interest and redemption premium only to the Interest and Sinking Fund or the escrow fund established for such purpose.

Right to Rescind Notice

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

Defeasance

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient, to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

BOND INSURANCE

Bond Insurance Policy

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

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

Financial Security Assurance Inc.

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

At June 30, 2006, Financial Security's combined policyholders' surplus and contingency reserves were approximately $2,514,378,000 and its total net unearned premium reserve was approximately $1,937,740,000 in accordance with statutory accounting principles. At June 30, 2006, Financial Security's consolidated shareholder's equity was approximately $2,889,984,000 and its total net unearned premium reserve was approximately $1,556,639,000 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2005 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

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

AD VALOREM PROPERTY TAXATION

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

County Services

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

Assessed Valuation

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

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and other property having a tax lien on real property which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all other taxable property. Unsecured property is assessed on the "unsecured roll." Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer. Valuation of secured property and a statutory tax lien is established as of January 1 prior to the tax year (the tax year is the July 1 – June 30 fiscal year of the State) of the related tax levy, and the secured and unsecured tax rolls are certified on or before July 1 of the tax year by the County Assessor. New property and improvements are assessed and added to a "supplemental" roll during the year acquired or when improvements are completed, and such property is taxed at the secured or unsecured rate then in effect, as appropriate, for the remaining portion of that year. The next year and thereafter such assets are assessed on the regular tax rolls.

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

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

State-Assessed Utility Property

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

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

Tax Levies, Collections and Delinquencies

Secured property tax rates are set annually by the first business day of September for the levy of property taxes in that tax year (a tax year is July 1 through June 30). The levy is payable in two equal installments due November 1 and February 1, and payments become delinquent if not postmarked or paid by end of the business day on December 10 and April 10, respectively. Taxes on unsecured property (personal property and leasehold interests) are levied at the preceding fiscal year's secured tax rate and have a due date set by each county effectively no earlier than July 1 and no later than July 31 of each year. Taxes on unsecured property become delinquent if not postmarked or paid by the end of the business day on August 31, or if added to the unsecured roll after July 31, become delinquent at the end of the month succeeding the month of enrollment.

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

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

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

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

Teeter Plan

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

The Teeter Plan applies to the 1% general purpose property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county. The County does not apply the Teeter Plan to secured tax levy collections for the bonds. See "DISTRICT TAX BASE INFORMATION — Secured Tax Charges and Delinquencies" herein for a history of property tax collections and delinquencies in the District.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS

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

Article XIIIA

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

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

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

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency claims, if any, on tax increment and subject to changes in organization, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Article XIIIB

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

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per-capita income from the preceding year; and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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

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

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

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

Propositions 98 and 111

On November 8, 1988 the voters approved Proposition 98, an initiative constitutional amendment and statute called "The Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). In addition to adding certain provisions to the Education Code, Proposition 98 also amended Article XIIIB and Section 8 of Article XVI of the Constitution and added Section 8.5 of Article XVI to the Constitution, the effects of which are to establish a minimum level of State funding for school districts, to allocate to school districts, within limits, State revenues in excess of the State's appropriations limit and to exempt such excess funds from school district appropriations limits.

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

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

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

(a) State Funding of Schools (Section 8). Monies to be applied by the State for the support of school districts must be at a level equal to the greater of the following "tests":

(i) The amount which, as a percentage of the State general fund revenues which may be appropriated pursuant to Article XIIIB, equals the percentage of general fund revenues appropriated for school districts in fiscal year 1986/87;

(ii) The amount actually appropriated to school districts in the prior fiscal year from general fund proceeds and from allocated local proceeds of taxes (excluding any excess state revenues allocated pursuant to Section 8.5), adjusted for changes in enrollment and for the change in the cost of living (operative only in a fiscal year in which the percentage growth in California per capita personal income is less than or equal to the percentage growth in per capita general fund revenues plus one-half of one percent);

(iii) The amount actually appropriated to school districts in the prior fiscal year from general fund proceeds and from allocated local proceeds of taxes (excluding any excess State revenues allocated pursuant to Section 8.5) adjusted for changes in enrollment and for the change in per capita general fund revenues, and, in addition, an amount equal to one-half of one percent times the prior year appropriations (excluding any excess State revenues) adjusted for changes in enrollment (operative only in a fiscal year in which the percentage growth in California per capita personal income is greater than the percentage growth in per capita general fund revenues plus one-half of one percent).

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

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

(b) Allocations to the State School Fund (Section 8.5). In addition to the amounts applied to school districts under the tests discussed above, the State Controller is directed to allocate available excess State revenues (pursuant to Article XIIIB) to the State School Fund. However, no such allocation is required at any time that the Director of Finance and the Superintendent of Public Instruction mutually determine that current annual expenditures per student equal or exceed the average annual expenditures per student of the 10 states with the highest annual expenditures per student and the average class size equals or is less than the average class size of the 10 states with the lowest class size.

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

Proposition 1A

Since 1992/93 the State has satisfied a portion of its Proposition 98 obligations for revenue limit funding of school districts by shifting part of the 1% local ad valorem property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. At the November 2004 election State voters approved Proposition 1A, limiting the amount and frequency of such ERAF shifts of property tax revenue from other taxing agencies to school districts.

Under Proposition 1 A, beginning in fiscal year 2008/09, the State will be able to divert no more than eight percent of local property tax revenues for State purposes (including, but not limited to, funding K-12 education) only if: (a) the Governor declares such action to be necessary due to a State fiscal emergency; (b) two-thirds of both houses of the Legislature approve the action; (c) the amount diverted is required by statute to be repaid within three years; (d) the State does not owe to local agencies any repayment for past property tax or Vehicle License Fee diversions; and (e) such property tax diversions do not occur in more than two of any ten consecutive fiscal years. Because ERAF shifts will be capped and limited in frequency, the State will have to rely more heavily on State general fund moneys for Proposition 98 funding of school districts.

Articles XIIIC and XIIID

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

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

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

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

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

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 98, 111 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting school districts' revenues or ability to expend revenues.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

The information in this section concerning funding procedures of K-12 school districts and State funding of education in the State is provided as supplementary information only and it should not be inferred from the inclusion of this information in the Official Statement that the principal of or interest on the Bonds is payable from the General Fund of the District or from State revenues. For specific financial information on the District, see "DISTRICT INFORMATION" herein.

State Funding of School Districts

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

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

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

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

Basic Aid Districts

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

State Budget

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

While the Constitution in large part dictates the formulae for determining the allocation of State revenues to the K-12 education portion of the State budget pursuant to Proposition 98 and other provisions (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT

REVENUE AND APPROPRIATIONS" herein), in the State budget process the Governor and State legislature still have significant leeway in deciding whether and by how much to exceed or reduce such allocation in the actual funding of K-12 school districts, and to decide what funds will be general purpose or restricted purpose.

On January 10, 2006, the proposed Governor's 2006/07 Budget was released, on May 12, 2006 the May Budget Revision was released and on June 30, 2006 the California State Budget 2006-07 was signed into law (together, the "2006/07 Budget"). The 2006/07 Budget for the State general fund for 2005/06 reports prior year resources available of $9.511 billion, and projects revenue and transfers-in of $92.749 billion, for a total of $102.260 billion in resources; and for 2006/07 projects prior year resources available of $9.530 billion, revenue and transfers-in of $93.882 billion, for a total of $103.412 billion in resources. General fund expenditures are projected to be $92.730 billion for 2005/06 and $101.261 billion for 2006/07, with general fund ending balances of $9.530 billion and $2.151 billion projected, respectively, for these years.

The 2006/07 Budget estimates Proposition 98 funding of K-12 education, including local property tax revenue, of $48.676 billion for 2004/05, $53.345 billion for 2005/06 and $55.121 billion for 2006/07. Of these amounts, the State general fund will provide $35.655 billion (including one-time "settlement agreement" funding of $1.621 billion to make up for prior years Proposition 98 shortfalls) in 2004/05, $39.719 billion (including one-time "settlement agreement" funding of $1.299 billion) in 2005/06 and $41.294 billion in 2006/07; the difference from total Proposition K-12 funding is funded from local property tax revenue projected for each school district. The Proposition 98 funding on a per A.D.A. basis is reported at $7,045 for 2004/05, $7,778 for 2005/06 and $8,288 for 2006/07. The State's budget for fiscal year 2004/05 included a 2.41% COLA for school district and county office of education revenue limit apportionments, and funding of an assumed 0.95% increase in statewide enrollment (the 2006/07 Budget reports that the actual 2004/05 increase in A.D.A. statewide was 0.47%). The State's budget for 2005/06 included a 4.23% COLA for most school district and county office of education revenue limit apportionments, and assumed a 0.21% decline in A.D.A. statewide. The 2006/07 Budget includes a 5.92% COLA for most school district and county office of education revenue limit apportionments, and assumes a 0.26% decline in A.D.A. statewide.

State Funding of Schools Without A State Budget

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

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

State Funding of School Construction

The State makes funding for school facility construction and modernization available to K-12 districts throughout the State through the Office of Public School Construction ("OPSC") and the State Allocation Board ("SAB"), from proceeds of State general obligation bonds authorized and issued for this purpose. Such bonds were authorized in the amount of $13.05 billion, $11.40 billion of which were for K-12 school facilities and $1.65 billion of which were for higher education facilities, on November 5, 2002 under Proposition 47, passed by 58.9% of the State-wide vote. An additional bond measure for education capital projects was approved on March 2, 2004 under Proposition 55, passed by 50.6% of the State-wide vote, in an authorization amount of $12.3 billion, $10.0 billion of which is for K-12 school facilities and $2.3 billion of which is for higher education facilities. The Governor has proposed similar future State bond issue authorizations, but none have been placed on a ballot yet.

The SAB allocates bond funds for 50% of approved new construction costs, 60% of approved modernization costs (80% for modernization project applications made prior to February 1, 2002), or up to 100% of approved costs of any type if the school district is approved for "hardship" funding. The school district is responsible for the portion of costs not funded by the State, commonly funding their portion with their own general obligation bonds, certificates of participation or accumulated builder's fee revenue. School districts routinely apply for such funding whenever they have projects they believe meet OPSC and SAB criteria for funding.

State Retirement Programs

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

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

County Office of Education

In each county there is a county superintendent of schools (the "County Superintendent") and a county board of education. The Office of the County Superintendent, frequently known as the "County

Office of Education" (the "County Office" herein) in each county provides the staff and organization that carries out the activities and policies of the County Superintendent and county board of education for that county.

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

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

School District Budget Process

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

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the County Superintendent, or as needed.

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

Subsequent to approval, the County Superintendent throughout the fiscal year is authorized to monitor each school district under his or her jurisdiction pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If a County Superintendent determines that a district cannot meet its current or subsequent year obligations, the

County Superintendent will notify the district's governing board of the determination and the County Superintendent may do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of any collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

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

Accounting Practices

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

County Investment Pool

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

Each county treasurer is required to invest funds, including those pooled funds described above, in accordance with Government Code Sections 53601 et seq. In addition, each county treasurer is required to establish an investment policy which may impose further limitations beyond those required by the Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the County Treasurer-Tax Collector, Alameda County, 1221 Oak Street, Room 131, Oakland, CA 94612-4685 (510) 272-6800. It is not intended that such information be incorporated into this Official Statement by such references. Certain information concerning the County's pooled investment portfolio as of June 30, 2006 is included herein in "APPENDIX D – EXCERPTS FROM THE ALAMEDA COUNTY INVESTMENT PORTFOLIO REPORT."

DISTRICT INFORMATION

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

General Information

The District includes approximately 76 square miles in the southwestern part of Alameda County and provides educational (K-12) services to the residents of the Town of Castro Valley, an unincorporated area of Alameda County. The District operates nine elementary schools, two middle schools, two high schools and an Adult Education School. The estimated population of the District is 51,900.

The 2006/07 pupil-teacher ratios are expected to be as follows:

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Pupil-Teacher Ratios

Grade	Ratio
K through 3	20:1
4 through 6	31:1
7 through 12	29:1

Source: The District.

The District is governed by a Board of Education consisting of five members. Members are elected to four-year terms. The day-to-day operations are managed by a board-appointed Superintendent of Schools. James L. Fitzpatrick has served in this capacity since 2000.

Average Daily Attendance and Revenue Limit

The following table reflects historical and estimated average daily attendance for the District:

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Average Daily Attendance Second Period Report

Academic Year	Average Daily Attendance[b]
2002/03	7,861
2003/04	8,015
2004/05	8,179
2005/06	8,273
2006/07[a]	8,347

[a] Estimated.
[b] Includes K-12, special education, opportunity schools; home and hospital, and continuation students; excludes adult education and ROP.

Source: The District.

The District is not a Basic Aid District. The District's statutory base revenue limit per A.D.A. under the State revenue limit formula was $5,219.17 for 2005/06, and is projected to be $5,548.03 per A.D.A. for 2006/07. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Funding of School Districts" herein.

Labor Relations

Currently the District employs 472 full-time equivalent (FTE) certificated employees, 248 FTE classified employees and 48 management employees. There are two formal bargaining units operating in the District which are described in the table below.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Labor Organizations

Labor Organization	Number of Employees	Contract Expiration
Castro Valley Teachers Association (CVTA)	487	June 30, 2006[a]
California Schools Employees Association (CSEA)	315	June 30, 2007

[a] Contract under negotiation.

Source: The District.

See "— Comparative Financial Statements" below for historical comparison of salary expense for the District.

Retirement Programs

The District contribution to STRS for fiscal year 2005/06 is $2,628,421 and in fiscal year 2006/07 is estimated to be $2,653,271. The District's contribution to PERS for fiscal year 2005/06 was $767,265 and for fiscal year 2006/07 is projected to be $793,091. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Retirement Programs" herein.

Comparative Financial Statements

The following table reflects the District's general fund revenues, expenditures, and fund balances from fiscal year 2002/03 through 2006/07. The format shown is that used by the District for internal accounting, budgeting and periodic reporting to the County Office and the State, and by the District's auditors in preparing audited financial statements for the District, for years prior to the year ended June 30, 2003. Audited financial statements commencing with the year ended June 30, 2003 are prepared under GASB 34, and in respect to line items, generally are not comparable with prior years audited financial statements or the District's internal accounting, budgeting or reports to the County Office and the State. For the District's combined audited basic financial statements for the year ended June 30, 2005, independent auditor's letter and management's discussion and analysis, all prepared according to GASB 34, see "APPENDIX A" hereto.

The District's Second Interim Report for fiscal year 2005/06 was certified as "positive." For a description of the interim report certification process, see "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — School District Budget Process" herein. The District's 2006/07 budget has been approved by the County Superintendent.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
General Fund Revenue, Expenditures and Fund Balances
2002/03 through 2006/07

	Actuals 2002/03[a]	Actuals 2003/04[a] [b]	Actuals 2004/05[a]	Estimated Actuals 2005/06[c]	Adopted Budget 2006/07[c]
Revenues					
Revenue Limit Sources	$39,090,013	$39,069,672	$41,435,080	$44,024,445	$47,102,712
State Aid	0	0	0	0	0
Property Taxes	0	0	0	0	0
Federal Revenue	8,297,878	9,342,615	10,758,902	11,906,929	11,223,876
Other State Revenue	31,182,893	27,496,421	30,213,047	30,924,309	30,390,647
Other Local Revenue	2,003,818	1,869,388	1,996,965	1,917,858	1,421,577
Total Revenues	80,574,602	77,778,096	84,403,994	88,773,541	90,138,812
Expenditures					
Certificated Salaries	28,325,694	0	0	31,502,338	31,362,986
Classified Salaries	7,877,785	0	0	9,078,730	9,021,801
Employee Benefits	9,413,756	0	0	10,218,282	10,089,665
Books and Supplies	2,691,221	0	0	4,810,216	2,111,388
Services, Other Operating Expenses	5,377,282	0	0	7,863,054	6,355,902
Capital Outlay	25,926,713	0	0	377,735	95,000
Other Outlay	480,889	0	0	28,508,452	28,713,522
Transfers of Indirect/Direct Support Costs	(135,740)	0	0	(181,048)	-144,023
Instruction	0	35,389,263	36,835,897	0	0
Instruction Related Activities:					
Supervision of Instruction	0	1,909,092	1,788,269	0	0
Instructional Library, Media and Technology	0	451,003	458,518	0	0
School Site Administration	0	4,774,712	5,136,955	0	0
Pupil Service				0	0
Home-to school transportation	0	831,143	884,425	0	0
Food Services	0	40,626	38,949	0	0
All Other Pupil Services	0	2,274,970	2,215,632	0	0
General Administration:					
Data Processing	0	77,014	82,277	0	0
All other General Administration	0	2,542,180	3,050,849	0	0
Plant Services	0	5,095,885	5,355,849	0	0
Facility Acquisition and Construction	0	236,573	87,131	0	0
Ancillary Services	0	650,948	702,785	0	0
Community Services	0	125,209	130,823	0	0
Other Outgo	0	25,262,219	27,462,335	0	0
Debt Service					
Principal	0	0	0	0	0
Interest and Other	0	0	0	0	0
Total Expenditures	33,990,028	79,660,837	84,230,694	92,177,759	87,606,241
Other Financing Sources/(Uses)					
Interfund Transfers In / Other Sources	0	0	0	332,921	0
Interfund Transfers Out / Other Uses	(593,407)	(613,945)	(264,554)	(715,921)	(650,000)
Total Other Financing Sources/(Uses)	(593,407)	(613,945)	(264,554)	(383,000)	(650,000)
Excess of Revenues Over (Under) Expenditures	23,595	(2,496,686)	(91,254)	(3,787,218)	1,882,571
Beginning Fund Balance	10,413,544	10,437,139	7,940,453	7,849,199	4,061,981
Ending Fund Balance	$10,437,139	$7,940,453	$7,849,199	$ 4,061,981	$ 5,944,552

[a] Based on audited financial statement data.
[b] First year of GASB 34 formatted audit.
[c] Adopted Budget 2006/07 as of July 1, 2006.

Audit

Excerpts from the 2004/05 audited financial statements are included in APPENDIX A, herein. The District is required to accept its annual audit at a public meeting no later than January 31st of the following year. The District considers its audited financial statements to be documents of public record. The District has not requested its auditors to review this Official Statement, nor have they done so.

District Debt

General Obligation Bonds. All bonds outstanding as of November 21, 2006 are set forth in the table below. See "THE BONDS — Authority for Issuance" and "THE BONDS — Debt Service" herein.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Outstanding General Obligation Bonds
As of November 21, 2006

Date Issued	Series	Amount of Original Issue	Outstanding Principal as of November 21, 2006
August 6, 1998	Election of 1998, Series 1998	$ 6,000,000	$ 85,000[(a)]
August 3, 2000	Election of 1998, Series 2000	8,500,000	470,000[(a)]
August 20, 2001	Election of 1998, Series 2001	8,100,000	425,000[(a)]
August 1, 2002	Election of 2002, Series 2002	8,550,000	7,770,000
August 1, 2003	Election of 1998, Series 2003	7,000,000	5,940,000
April 13, 2004	Election of 2002, Series 2004	8,250,000	7,920,000
August 2, 2005	Election of 1998, Series 2005	6,955,000	6,805,000
April 19, 2006	Election of 2005, Series 2006	24,000,000	24,000,000
November 21, 2006	2006 General Obligation Refunding Bonds	18,565,000	18,565,000
Total		$95,920,000	$71,980,000

[(a)] Outstanding principal represents unrefunded portions of the Prior Bonds.

Source: The District.

As of November 21, 2006, annual debt service for the District's outstanding General Obligation Bonds assuming that no optional redemptions are made, are as follows:

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
General Obligation Bonds – Debt Service
As of November 21, 2006

Date	Election of 1998, Series 1998 [a]	Election of 1998, Series 2000 [a]	Election of 1998, Series 2001 [a]	Election of 2002, Series 2002	Election of 1998, Series 2003	Election of 2002, Series 2004	Election of 1998, Series 2005	Election of 2005, Series 2006	Aggregate Annual Debt Service[b]
8/1/2007	$ 88,485.00	$ 253,500.00	$ 185,187.50	$ 583,882.50	$ 303,796.26	$ 566,416.26	$ 457,695.00	$ 1,538,821.63	$ 3,977,784.15
8/1/2008	0.00	252,000.00	272,350.00	584,582.50	301,296.26	567,016.26	458,395.00	1,531,492.50	3,967,132.52
8/1/2009	0.00	0.00	0.00	579,307.50	298,796.26	567,216.26	458,495.00	1,530,461.26	3,434,276.28
8/1/2010	0.00	0.00	0.00	578,282.50	446,296.26	567,016.26	457,995.00	1,528,461.26	3,578,051.28
8/1/2011	0.00	0.00	0.00	584,357.50	461,296.26	566,416.26	461,895.00	1,529,711.26	3,603,676.28
8/1/2012	0.00	0.00	0.00	589,502.50	462,296.26	565,416.26	459,895.00	1,534,211.26	3,611,321.28
8/1/2013	0.00	0.00	0.00	593,530.00	457,896.26	564,016.26	457,295.00	1,537,711.26	3,610,448.78
8/1/2014	0.00	0.00	0.00	591,530.00	453,296.26	562,216.26	459,645.00	1,539,711.26	3,606,398.78
8/1/2015	0.00	0.00	0.00	593,820.00	453,251.26	565,016.26	461,302.50	1,546,686.26	3,620,076.28
8/1/2016	0.00	0.00	0.00	590,170.00	452,796.26	557,216.26	457,482.50	1,548,248.76	3,605,913.78
8/1/2017	0.00	0.00	0.00	595,765.00	451,931.26	559,216.26	458,232.50	1,548,061.26	3,613,206.28
8/1/2018	0.00	0.00	0.00	595,145.00	450,656.26	555,616.26	458,352.50	1,546,061.26	3,605,831.28
8/1/2019	0.00	0.00	0.00	593,495.00	448,971.26	556,616.26	457,957.50	1,548,061.26	3,605,101.28
8/1/2020	0.00	0.00	0.00	595,785.00	446,802.50	552,016.26	457,037.50	1,548,131.26	3,599,772.52
8/1/2021	0.00	0.00	0.00	596,750.00	449,145.00	556,547.50	460,437.50	1,550,831.26	3,613,711.26
8/1/2022	0.00	0.00	0.00	601,350.00	445,705.00	554,760.00	458,237.50	1,547,043.76	3,607,096.26
8/1/2023	0.00	0.00	0.00	599,412.50	446,515.00	556,720.00	460,480.00	1,546,981.26	3,610,108.76
8/1/2024	0.00	0.00	0.00	601,500.00	446,680.00	557,800.00	456,950.00	1,544,356.26	3,607,286.26
8/1/2025	0.00	0.00	0.00	601,750.00	445,840.00	553,000.00	457,840.00	1,545,200.00	3,603,630.00
8/1/2026	0.00	0.00	0.00	600,750.00	449,340.00	557,540.00	457,930.00	1,544,293.76	3,609,853.76
8/1/2027	0.00	0.00	0.00	598,500.00	446,960.00	555,980.00	457,205.00	1,545,418.76	3,604,063.76
8/1/2028	0.00	0.00	0.00	0.00	448,920.00	558,540.00	460,457.50	1,539,518.76	3,007,436.26
8/1/2029	0.00	0.00	0.00	0.00	0.00	0.00	457,840.00	1,541,818.76	1,999,658.76
8/1/2030	0.00	0.00	0.00	0.00	0.00	0.00	459,360.00	1,536,868.76	1,996,228.76
8/1/2031	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,529,118.76	1,529,118.76
8/1/2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,523,868.76	1,523,868.76
8/1/2033	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,515,868.76	1,515,868.76
8/1/2034	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,510,118.76	1,510,118.76
8/1/2035	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,501,368.76	1,501,368.76
	$88,485.00	$505,500.00	$457,537.50	$12,449,167.50	$9,468,483.88	$12,322,315.14	$11,008,412.50	$44,578,506.89	$90,878,408.41

[a] Debt service represents principal and interest payments due on unrefunded portion of the Prior Bonds.
[b] Does not include 2006 General Obligation Refunding Bonds.

All debt service payments on the bonds, are payable from an ad valorem tax levied and collected by the County on assessed property in the District.

Certificates of Participation. On April 10, 1997 the District, in conjunction with the Alameda-Contra Costa Schools Financing Authority, issued $780,000 of Variable Rate Demand Certificates of Participation. The final maturity is July 1, 2007. As of June 30, 2006, the principal balance outstanding was $95,000.

In July 1999, the District issued Fixed Rate Certificates of Participation in the amount of $3,315,000 with interest rates ranging from 3.00 to 4.40 percent. At June 30, 2006, the principal balance outstanding was $1,115,000. Aggregate debt service on the certificates are as follows:

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
1999 Certificates of Participation

Fiscal Year Ending June 30	Principal	Interest	Total
2007	$150,000	$46,790	$196,790
2008	150,000	40,865	190,865
2009	160,000	34,865	194,865
2010	170,000	28,305	198,305
2011-2013	485,000	34,805	519,805
Total	$1,115,000	$185,630	1,300,630

Source: The District

Capital Leases. The District has entered into various capital leases having minimum payments, payable from the general fund of the District, as follows:

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Capital Leases

Year Ending June 30	Lease Payments
2007	$46,607

Source: The District

Availability of Documents

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

DISTRICT TAX BASE INFORMATION

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

Assessed Valuation

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Assessed Valuation

Fiscal Year	Local Secured	Utility	Unsecured	Total
2002/03	$4,128,637,073	$2,372,077	$61,194,223	$4,192,203,373
2003/04	4,500,727,602	0	62,547,225	4,563,274,827
2004/05	4,770,399,087	0	59,064,917	4,829,464,004
2005/06	5,157,046,882	0	61,386,207	5,218,433,089
2006/07	5,630,508,424	0	62,698,515	5,693,206,939

Source: California Municipal Statistics, Inc.

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

Secured Tax Charges and Delinquencies

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies

Fiscal Year	Secured Tax Charge[(a)]	Amount Delinquent June 30	Percent Delinquent June 30
2001/02	$1,365,778.92[(a)]	$ 22,435.73	1.64%
2002/03	6,024,965.86[(b)]	149,730.43	2.49
2003/04	2,021,512.45[(a)]	32,634.09	1.61
2004/05	2,442,077.93[(a)]	34,473.74	1.41
2005/06	7,444,967.91	166,673.35	2.24

(a) All taxes collected by the County within the District.
(b) 1% General Fund apportionment.

Source: California Municipal Statistics, Inc.

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

Tax Rates

The following is a summary of tax rates for a representative tax rate area, TRA 54-003, within the District. TRA 54-003 has a total 2006/07 assessed valuation of $2,359,320,192, approximately 41% of the District's total assessed valuation. See "AD VALOREM PROPERTY TAXATION" for further information on establishing tax rates.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Tax Rates –TRA 54-003

	2002/03	2003/04	2004/05	2005/06	2006/07
County-wide Rate[(a)]	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Chabot-Las Positas Community College	0.0000	0.0000	0.0186	0.0158	0.0159
Castro Valley Unified School District	0.0498	0.0561	0.0532	0.0718	0.0811
Bay Area Rapid Transit District	0.0000	0.0000	0.0000	0.0048	0.0050
East Bay Regional Park District	0.0065	0.0057	0.0057	0.0057	0.0085
TOTAL	1.0563%	1.0618%	1.0775%	1.0981%	1.1105%

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

Source: Alameda County Auditor-Controller's Office and California Municipal Statistics, Inc.

Largest Taxpayers

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Largest Taxpayers

Name	Primary Land Use	Assessed Valuation	Percent of Total[(a)]
WRI Golden State LLC	Shopping Center	$ 21,344,710	0.38%
Highland Place Cooperative	Residential Properties	19,618,251	0.35
David Kaslin	Apartments	10,610,592	0.19
Adobe Center Inc.	Shopping Center	9,421,740	0.17
Quail Hill Apartments LLC	Apartments	9,201,704	0.16
R.T. Nahas Company	Shopping Center	8,244,800	0.15
John J. and Mary T. Sullivan	Apartments	7,944,931	0.14
Ronald D. and Janice L. Staley	Industrial	7,615,208	0.14
Safeway Holdings Inc.	Commercial	7,585,479	0.13
David A. and Helenka T. Livingston	Apartments	7,486,161	0.13
Richard G. Bigelow	Apartments	6,781,666	0.12
Marcotte Family LP	Apartments	6,200,000	0.11
Proctor Castro Valley Partnership LP	Residential Properties	6,155,088	0.11
Anita Plaza Apartments LLC	Apartments	6,024,431	0.11
Granco Enterprises & William C. Pratt	Office Building	5,632,413	0.11
Govind Hospitality Group Inc.	Hotel/Motel	5,541,625	0.10
Palomares Preserve LLC & Golftec Development	Vacant Residential/Agricultural	5,513,181	0.10
Carol L. and Edward T. Simas	Residential	5,171,408	0.09
DHI OFG LLC	Residential Land	4,829,695	0.09
David H. and Toni K. Wilkerson	Residential	4,501,973	0.08
TOTAL		$165,425,056	2.94%

(a) Total Local Secured Assessed Valuation for 2006/07: $5,630,508,424

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated as of November 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. The first column of lists local agencies with territory overlapping, at least in part, that of the District. The second column shows the portion of each overlapping entity's debt assignable within the boundaries of the District, and the third column shows the amount of that portion of the overlapping entity's existing debt. The total amount of debt for each overlapping entity is not given.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Debt

2006/07 Assessed Valuation:	$5,693,206,939
Redevelopment Incremental Valuation:	(114,015,108)
Adjusted Assessed Valuation:	$5,579,191,831

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Percent Applicable[(a)]	Debt 11/1/06
Bay Area Rapid Transit District	1.418%	$ 1,236,283
Chabot-Las Positas Community College District	7.653	6,960,086
Castro Valley Unified School District	100	71,110,000[(b)]
City of Oakland	0.027	65,113
East Bay Municipal Utility District	3.894	81,774
East Bay Municipal Utility District Special District No. 1	0.001	365
Castro Valley Sanitary District 1915 Act Bonds	100	275,000
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		83,196,971
Less: East Bay Municipal Utility District (100% self supporting)		81,774
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		83,115,197
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Alameda County General Fund Obligations	3.548%	21,689,137
Alameda County Pension Obligations	3.548	10,008,125
Alameda County Board of Education General Fund Obligations	3.548	27,497
Alameda-Contra Costa Transit District Certificates of Participation	4.222	798,169
Chabot-Las Positas Community College District General Fund Obligations	7.653	393,747
Castro Valley Unified School District Certificates of Participation	100	1,210,000
City of Oakland General Fund and Pension Obligations	0.027	235,678
Other Cities General Fund Obligations	Various	33,185
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		34,395,538
Less: City of Hayward self supporting obligations		(3,207)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 34,392,331
GROSS COMBINED TOTAL DEBT		$117,592,509[(c)]
NET COMBINED TOTAL DEBT		$117,507,528

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

Ratios to 2006/07 Assessed Valuation:
Direct Debt ($71,110,000) 1.25%
Total Gross Overlapping Tax and Assessment Debt 1.46%
Total Net Overlapping Tax and Assessment Debt 1.46%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($72,320,000) 1.30%
Gross Combined Total Debt 2.11%
Net Combined Total Debt 2.11%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06 $0

Source: California Municipal Statistics, Inc.

ECONOMIC PROFILE

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

Introduction

The District is located in the unincorporated town of Castro Valley in Alameda County, California.

Alameda County is located on the east side of the San Francisco Bay and extends from the Cities of Berkeley and Albany in the north to the City of Fremont in the south. It is the sixth most populous county in the State, with most of its population concentrated in a highly urbanized area between the San Francisco Bay and the East Bay Hills.

The northern part of Alameda County has direct access to San Francisco Bay and the city of San Francisco. It is highly diversified with residential areas as well as traditional heavy industry, the University of California at Berkeley, the Port of Oakland, and sophisticated manufacturing, computer services and biotechnology firms. The middle of Alameda County is also highly developed, including older established residential and industrial areas. The southwestern corner of Alameda County has seen strong growth in residential development and manufacturing. Many high-tech firms have moved from neighboring Silicon Valley in Santa Clara County into this area. The southeastern corner of Alameda County has seen the most development in recent years due to land availability. Agriculture and the rural characteristics of this area are disappearing as the region maintains its position as the fastest growing residential, commercial and industrial part of Alameda County.

Population

The following table summarizes population figures for the County:

ALAMEDA COUNTY
Population

Year	Alameda County
1980	1,105,379
1990	1,276,702
2000	1,443,741
2001	1,465,000
2002	1,481,900
2003	1,487,700
2004	1,496,968
2005	1,507,500

Source: The 1980, 1990 and 2000 totals are U.S. Census figures. The figures for the years 2001 through 2005 are based upon adjusted January 1 estimates provided by the State.

Employment

The following table summarizes historical employment and unemployment in the Oakland Metropolitan Statistical Area, which is comprised of both Alameda and Contra Costa Counties:

OAKLAND MSA
Civilian Labor Force, Employment and Unemployment
Annual Averages

	2001	2002	2003	2004	2005
Civilian Labor Force[(a)]					
Employment	1,228,800	1,206,200	1,188,500	1,186,400	1,196,200
Unemployment	57,900	81,800	84,300	72,900	63,500
Total	1,286,700	1,288,000	1,272,800	1,259,300	1,259,700
Unemployment Rate[(b)]	4.5%	6.4%	6.6%	5.8%	5.0%

(a) Based on place of residence; March 2005 Benchmark.
(b) The unemployment rate is calculated using unrounded data.

Source: California Employment Development Department, Labor Market Information Division

The following table summarizes the historical numbers of workers in the Oakland Metropolitan Statistical Area, which is comprised of both Alameda and Contra Costa Counties, by industry:

OAKLAND MSA
Estimated Number of Wage and Salary Workers by Industry[(a)]
(in thousands)

	2001	2002	2003	2004	2005
Agricultural	3,000	3,000	2,600	1,500	1,500
Natural Resources and Mining	1,600	1,200	900	1,200	1,100
Construction	69,700	66,600	67,100	69,800	74,000
Manufacturing	113,200	103,600	98,000	98,200	95,400
Trade, Transportation and Utilities	210,000	204,600	197,200	193,800	195,200
Information	37,700	35,200	32,600	31,300	30,400
Financial Activities	58,600	62,500	67,700	67,600	70,500
Professional and Business Services	159,000	149,600	144,900	147,700	150,600
Educational and Health Services	112,500	114,700	117,000	117,200	118,600
Leisure and Hospitality	77,900	79,900	80,400	80,600	82,600
Other Services	35,800	37,800	37,500	36,600	35,800
Government	178,800	184,200	182,300	179,700	180,000
Total All Industries	1,057,800	1,042,800	1,028,200	1,025,200	1,035,800

(a) The industry employment data are now based upon the North American Industry Classification System (NAICS). Newly released data are not comparable to the data based on the Standard Industrial Classification (SIC). Items may not add to totals due to independent rounding. March 2005 Benchmark

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

Major Employers

The following table summarizes the major private employers in the Town:

CASTRO VALLEY
Major Private Employers

Company	Product/Service	Employees
Eden Medical Center	Private hospital & medical center	968
Eden Township Hospital District	Home health care services	250
Eden Villa	Skilled nursing care facility; single-family housing construction	170
Castro Valley Care Centers	Skilled nursing care facility	100
Headfirst Baseball	Child daycare service	60
Vanderbilt Construction	Single-family housing construction	59
Aliso Messenger & Courier Inc.	Business services	55
AAAAA Rent-A-Space	Self-storage for residential, commercial & industrial	50
Mason-McDuffie Real Estate	Real estate agency & broker	50
Valley Pointe Nursing & Rehab	Retirement community with nursing	50

Source: 2005 Harris InfoSource; February 2006.

The following table summarizes the major employers in Alameda County:

ALAMEDA COUNTY
Major Employers

Employer	Product/Service	Employees
New United Motor Manufacturing	Manufactures automobiles & trucks	7,000
Lawrence Berkeley National Lab	Commercial research & development; multi-program national laboratory	5,000
Cooper Co's Inc.	Manufactures contact lenses; manufactures gynecological supplies & appliances	4,000
Kaiser Foundation Hospitals	Medical hospitals	3,857
Alameda County	County government	3,596
Oracle Corp. (PeopleSoft)	Develops prepackaged software for human resources & financial, manufacturing & higher education applications	3,500
University of California	4 year university	3,440
Fabco Automotive Corp.	Manufactures motor vehicles axles	2,500
PG&E East Bay Regional Headquarters	Business consulting services	2,500
Federal Express Corp.	Air courier services; ground courier services	2,477
Children's Hospital & Research	Medical hospital	2,300
Sybase Inc.	Computer integrated systems design services	2,100
Alta Bates Summit Medical Center	Medical hospital	1,746
Clorox Co.	Manufactures polishes & sanitation agents, lighter fluid, charcoal, prepared seasonings & sauces	1,555
Washington Township Healthcare	Medical hospital	1,225
Eden Medical Center	Private hospital & medical center	1,218
Sandia National Laboratories	Noncommercial research & development laboratories	1,200
Permanente Medical Group	Medical facilities	1,140
Chiron Corp.	Manufactures pharmaceutical preparations; manufactures biological vaccines & other immunizing products; manufactures diagnostic substances	1,025
Sysco Food Services	Distributes general line groceries	1,025

Source: 2005 Harris InfoSource; February 2006.

Construction Activity

The following table summarizes historical residential building permit valuation for the County:

ALAMEDA COUNTY
Residential Building Permit Valuation
(Dollars in Thousands)

Year[(a)]	Units[(b)]	Valuation[(c)]
2002	3,555	$ 889,870
2003	4,469	942,388
2004	5,378	1,180,179
2005	4,447	1,011,087

(a) As of January 1.
(b) Does not include alterations and additions.
(c) Includes all residential building activity.

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

Commercial Activity

The following table summarizes historical taxable transactions in the County:

ALAMEDA COUNTY
Taxable Transactions
(Dollars in Thousands)

Year	Outlets	Taxable Transactions
2000	40,866	23,763,516
2001	41,709	22,758,085
2002	41,430	21,264,629
2003	42,550	21,375,029
2004	42,939	22,996,365

Source: State Board of Equalization.

Median Household Income

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

ALAMEDA COUNTY,
STATE OF CALIFORNIA AND UNITED STATES OF AMERICA
Median Household Effective Buying Income

Year	Alameda County	State of California	United States of America
2001	$50,631	$44,464	$39,129
2002	54,076	43,532	38,365
2003	49,574	42,484	38,035
2004	50,431	42,924	38,201
2005	51,415	43,915	39,324

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

LEGAL MATTERS

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the 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 Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Certain requirements and procedures contained or referred to in the Resolution, the Tax Certificate of the District dated the date of issuance of the Bonds and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

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

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

No Litigation

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

Legality for Investment in California

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

Legal Opinion

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

MISCELLANEOUS

Ratings

Moody's Investors Service and Standard & Poor's have assigned their municipal bond ratings of "Aaa" and "AAA", respectively, to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody's Investors Service, 99 Church Street, New York, NY, 10007; Standard & Poor's, 55 Water Street, 38th Floor, New York, NY 10041.

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

Verification of Mathematical Accuracy

Causey Demgen & Moore Inc., Denver, Colorado, independent certified public accountants, upon delivery of the Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to (a) the sufficiency of the anticipated amount of proceeds of the Bonds and other funds available to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the Bonds and (b) the "yields" on the amount of proceeds held and invested prior to redemption of the Prior Bonds and on the Bonds considered by Bond Counsel in connection with the opinion rendered by Bond Counsel that the Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

The report of Causey Demgen & Moore Inc., will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

Underwriting

Pursuant to the terms of a public bid held on November 8, 2006, Banc of America Securities, LLC, as underwriter (the "Underwriter"), has agreed to purchase the Bonds from the District at the purchase price of $18,586,300.11. The Underwriter has represented to the District that the Bonds were reoffered to the public at the prices or yields set forth on the cover page of this Official Statement, at an aggregate reoffering price of $18,765,020.55. Based on such representations, gross underwriter's compensation for the Bonds will be $178,720.04. The Underwriter will be obligated to take and pay for all of the Bonds, if any Bond is purchased.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide to any person upon written request certain financial information and operating data relating to the District by not later than nine months following the end of the District's fiscal year (the "Annual Report"), commencing with the Annual Report for the 2005/06 Fiscal Year, which is due no later than April 1, 2007, and to provide notices of the occurrence of certain enumerated events, if material. Currently, the District's Fiscal Year ends on June 30 of each year. The Annual Report will be filed by the District with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and with the state information repository, if any. The notices of material events will be filed by the District with each NRMSIR or with the Municipal Securities Rulemaking Board, and with the state information repository, if any. Submission of Annual Reports to Disclosure USA or another "central post office" designated by the S.E.C. will constitute compliance with such filing requirements. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below under the caption "APPENDIX C — Form of Continuing Disclosure Certificate." These covenants have been made to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Financial Advisor

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

Additional Information

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

By: /s/ James L. Fitzpatrick
Superintendent

APPENDIX A

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005,
WITH INDEPENDENT AUDITOR'S LETTER AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2005

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

OF ALAMEDA COUNTY

CASTRO VALLEY, CALIFORNIA

JUNE 30, 2005

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
John Barbieri	President	2007
Janice Friesen	Vice President/Clerk	2005
George Granger	Member	2005
Jo A.S. Loss	Member	2007
Kunio Okui	Member	2007

ADMINISTRATION

James L. Fitzpatrick	Superintendent
Jerry Macy	Deputy Superintendent, Business
Dr. Elizabeth Blasquez	Assistant Superintendent, Curriculum and Instruction
Sandi Smith	Director of Personnel Services
Gael Treible	Director of Business Services

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2005

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Governing Board
Castro Valley Unified School District
Castro Valley, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of 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 2004-2005 *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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Castro Valley 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.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 Fax: 925.734.6611 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA

The required supplementary information, such as management's discussion and analysis on pages 3 through 10 and budgetary comparison information on page 44, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 supplemental 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

Pleasanton, California
September 23, 2005

Castro Valley Unified School District

P.O. BOX 2146 • CASTRO VALLEY, CALIFORNIA 94546 • (510) 537-3000 • Fax (510) 886-8962

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all the activities of the Castro Valley Unified School District (the District) and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board Statement Number 34 (GASB 34).

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

The *Fund Financial Statements* include statements for two of the three categories of activities: governmental, and fiduciary. The District does not have any business type activities.

- The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The primary unit of the government is the Castro Valley Unified School District. The Castro Valley Financing Corporation is a component unit of the District. Separate financial statements for the component unit are not prepared.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

In the *Statement of Net Assets* and the *Statement of Activities*, District activities include all governmental activities:

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary funds – The District uses internal service funds (a component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $56.3 and $56.8 million for the fiscal years ended June 30, 2005 and 2004, respectively. Of this amount, $9.4 and $5.7 million, respectively, was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1. Net Assets

(Amounts in millions)	Governmental Activities 2005	Governmental Activities 2004
Current and other assets	$ 40.6	$ 50.9
Capital assets	72.4	59.0
Total Assets	**113.0**	**109.9**
Current liabilities	13.3	8.4
Long-term debt	43.4	44.6
Total Liabilities	**56.7**	**53.0**
Net assets		
Invested in capital assets, net of related debt	38.1	13.9
Restricted	8.8	37.2
Unrestricted	9.4	5.7
Total Net Assets	**$ 56.3**	**$ 56.8**

The $9.4 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to pay off all our bills *today* including all our non-capital liabilities (e.g., compensated absences), we would have $9.4 million left.

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 12. Table 2 takes the information from the Statement, rounds off the numbers, and formats them so you can see our total revenues and expenses for the year.

Table 2. Change in Net Assets

(Amounts in millions)	Governmental Activities 2005	Governmental Activities 2004
Revenues		
Program revenues		
Charges for services	$ 2.1	$ 1.8
Operating grants and contributions	40.6	36.0
General revenues:		
State revenue limit sources	31.5	23.8
Property taxes	16.6	21.5
Other general revenues	2.9	3.5
Total Revenues	**93.7**	**86.6**
Expenses		
Instruction related	48.5	46.9
Pupil services	5.4	5.2
Administration	3.6	3.6
Maintenance and operations	6.3	5.8
Other (including MAC SELPA)	30.4	28.3
Total Expenses	**94.2**	**89.8**
Change in Net Assets	**$ (0.5)**	**$ (3.2)**

Governmental Activities

As reported in the Statement of Activities on page 12, the cost of all of our governmental activities was $94.2 and $89.8 million for June 30, 2005 and 2004, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $16.6 and $21.5 million, respectively, because a portion of the cost was paid by those who benefited from the programs ($2.1 million and $1.8 million, respectively) or by other governments and organizations who subsidized certain programs with grants and contributions ($40.6 and $36.0 million, respectively). We paid for the remaining "public benefit" portion of our governmental activities with $31.5 and $23.8 million in State funds and with other revenues, like interest and general entitlements of $2.9 million in 2005 and $3.5 million in 2004 and with prior year carryovers.

Table 3 reflects the cost of each of the District's five largest functions - instruction, student support, administration, maintenance and operations, and other costs (e.g., Mid-Alameda County Special Education Local Plan Area (MAC SELPA)). Included in this table are each program's net cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3. Net Cost of Governmental Activities

(Dollar amounts in millions)	Total Cost of Services 2005	Total Cost of Services 2004
Instruction	$ 36.4	$ 37.3
Pupil services	1.8	1.9
Administration	3.3	3.2
Maintenance and operations	5.1	5.3
Other (including MAC SELPA)	5.0	4.3
Totals	**$ 51.6**	**$ 52.0**

THE DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of $28.2 and $43.2 million, as of June 30, 2005 and 2004, respectively. This is a decrease of $14.9 million from the prior year.

The primary changes are:

a. The Building Fund (where our facility bond proceeds are recorded) decreased $14.2 million due to the capital project expenditures during the current year which were funded by bond proceeds in the prior year.
b. The Capital Facilities Fund decreased by $0.6 million during the year due to the expenditure of capital project funds.

General Fund Budgetary Highlights

- Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was authorized and posted on June 28, 2005. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 44.
- For June 2005, the District projected a decrease in General Fund net assets of approximately $3.8 million.
- The District ended the year with a decrease in General Fund net assets of approximately $100,000 as expenditures were $3.7 million less than originally projected. The main element of the lower-than-expected expenditures was unspent program carryover funds.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2005 and 2004, the District had $72.4 and $59.0 million, respectively, of net worth (after depreciation) in a broad range of capital assets, including land, buildings, and furniture and equipment (see Table 4). This amount represents a net increase (including additions, deductions and depreciation) of $13.4 and $6.0 million, for 2005 and 2004, respectively. This is a 23% increase over last year.

Table 4. Capital Assets at Year-end
(Net of depreciation, in millions of dollars)

(Amounts in millions)	Governmental Activities 2005	Governmental Activities 2004
Land	$ 23.2	$ 23.2
Land Improvements	3.2	3.7
Buildings and improvements	32.4	28.5
Equipment	0.4	0.4
Construction in progress	13.2	3.2
Totals	**$ 72.4**	**$ 59.0**

Major additions in the 2004-05 school year included:

- Castro Valley Center for the Arts ($4 million).
- Castro Valley High School – Wing 800 ($3 million)
- Canyon Middle School – Modernization of various Wings ($2 million).

Several capital projects are planned for the 2005-06 year. We anticipate capital additions to be $16 million for the 2005-06 year. Major projects will include:

- Castro Valley Center for the Arts (completion) – (3.6 million).
- Proctor School Modernization – (2.2 million).
- Independent School Modernization – (1.7 million).
- Creekside Middle School Gymnasium (completion) – (1.1 million).
- Castro Valley High School-wing 900 – (3.5 million).
- Castro Valley High School-wing 300 modernization – (1.1 million).
- Palomares School Modernization – (0.6 million).

We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2005 and 2004, the District had $42.3 and $43.2 million, respectively, in general obligation bonds outstanding. During 2005 this is a net decrease of $0.9, or 2.1%. The District's overall long-term debt is summarized in Table 5.

Table 5. Outstanding Debt at Year-end
(in millions of dollars)

(Amounts in millions)		Governmental Activities 2005		Governmental Activities 2004
General obligation bonds	$	42.3	$	43.2
Certificates of participation		1.3		1.4
Capitalized lease obligations		0.1		0.2
Accumulated vacation		0.4		0.3
Totals	**$**	**44.1**	**$**	**45.1**

The District's general obligation bond rating continues to be "A+" as rated by Standard and Poor's. The State limits the amount of general obligation debt that District's can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. As of June 30, 2005, the assessed value exceeded $4.5 billion. The District's outstanding general obligation debt of $42.3 million is significantly below the $112.5 million statutorily - imposed limit.

In addition to the liabilities mentioned above, the District has an estimated liability of $13.1 million for post-employment benefits. The liability has not been included in long term liabilities, which is consistent with generally accepted accounting principles for this type of liability.

We present more detailed information regarding our long-term liabilities in Note 8 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2005-06 year, the District Board and management used the following criteria:

Key assumptions in our revenue forecast are:

1. Revenue limit income reflects a 4.21% increase in the base revenue limit per Average Daily Attendance (ADA) and a 0.892% deficit factor.
2. Interest is budgeted at 2%.
3. Lottery revenue is projected at $141 per ADA.
4. Average Daily Attendance is projected to be 8300.

Projected expenditures are based on the following forecasts:

	Enrollment
Grades kindergarten through third	2,277
Grades four through eight	3,382
Grades nine through twelve	3,013

New items specifically addressed in the budget are:

- Increased revenue associated with COLA and deficit reduction ($2.7 million).
- Increased salaries associated with step and column salary schedule movement ($0.24 million).
- Increased salaries associated with salary increases and other compensation ($1.6 million).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact Jerry Macy, Deputy Superintendent, Business Services, at the Castro Valley Unified School District, 4400 Alma Avenue, Castro Valley, California, 94546 or via e-mail at jmacy@cv.k12.ca.us.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
ASSETS	
Deposits and investments	$ 30,123,484
Receivables	9,394,265
Prepaid expenses	29,278
Deferred charges	936,749
Stores inventories	118,820
Land and construction in progress	36,413,860
Capital assets, depreciable	70,466,614
Less: Accumulated depreciation	(34,486,278)
Total assets	112,996,792
LIABILITIES	
Overdrafts	25
Accounts payable	9,962,371
Due to other governments	16,514
Interest payable	848,653
Deferred revenue	1,134,500
Current portion of long-term obligations	1,390,278
Noncurrent portion of long-term obligations	43,354,806
Total liabilities	56,707,147
NET ASSETS	
Invested in capital assets, net of related debt	38,112,028
Restricted for:	
Legally restricted	1,151,847
Debt service	926,383
Capital projects	4,796,017
Special revenues	1,931,749
Unrestricted	9,371,621
Total net assets	$ 56,289,645

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

		Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental activities:				
Instruction	$ 39,887,178	$ 179,350	$ 9,705,297	$ (30,002,531)
Instruction related activities:				
Supervision of instruction	1,862,693	126,772	884,254	(851,667)
Instructional library, media and technology	477,441	-	274,234	(203,207)
School site administration	6,286,904	61,492	926,915	(5,298,497)
Pupil services:				
Home-to-school transportation	920,924	133,806	305,818	(481,300)
Food services	2,158,802	1,525,069	397,520	(236,213)
All other pupil services	2,307,068	-	1,216,477	(1,090,591)
General administration:				
Data processing	85,672	-	-	(85,672)
All other general administration	3,554,679	65,344	290,183	(3,199,152)
Plant services	6,268,919	13,134	1,140,574	(5,115,211)
Ancillary services	731,788	-	55,181	(676,607)
Community services	136,222	-	-	(136,222)
Enterprise services	7,653	-	-	(7,653)
Interest on long-term debt	2,100,494	-	-	(2,100,494)
Other (outgo)	27,462,335	-	25,395,249	(2,067,086)
Total governmental-type activities	$ 94,248,772	$ 2,104,967	$ 40,591,702	(51,552,103)
General revenues and subventions:				
Property taxes, levied for general purposes				13,853,452
Property taxes, levied for debt service				2,676,832
Taxes levied for other specific purposes				40,415
Federal and State aid not restricted to specific purposes				31,508,446
Interest and investment earnings				609,555
Internal transfers				67,302
Miscellaneous				2,263,289
Subtotal, general revenues				51,019,291
Change in net assets				(532,812)
Net assets - beginning				56,822,457
Net assets - ending				$ 56,289,645

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

BALANCE SHEET
JUNE 30, 2005

	General	Building	Non Major Governmental	Total Governmental
ASSETS				
Deposits and investments	$ 6,556,561	$ 12,059,386	$ 11,383,655	$ 29,999,602
Receivables	8,417,699	88,903	683,275	9,189,877
Due from other funds	191,131	484,763	58,505	734,399
Prepaid expenses	29,278	-	-	29,278
Stores inventories	87,855	-	30,965	118,820
Total Assets	$ 15,282,524	$ 12,633,052	$ 12,156,400	$ 40,071,976
LIABILITIES AND FUND BALANCES				
Liabilities:				
Overdrafts	$ -	$ -	$ 25	$ 25
Accounts payable	6,247,323	3,202,413	512,435	9,962,171
Due to other funds	60,771	6	673,622	734,399
Due to other governments	16,514	-	-	16,514
Deferred revenue	1,108,717	-	25,783	1,134,500
Total Liabilities	7,433,325	3,202,419	1,211,865	11,847,609
Fund Balances:				
Reserved for:				
Stores inventories	87,855	-	30,965	118,820
Other reservations	2,487,093	-	5,000	2,492,093
Unreserved:				
Designated	5,274,251	9,430,633	8,651,806	23,356,690
Undesignated, reported in:				
Debt service funds	-	-	2,256,764	2,256,764
Total Fund Balance	7,849,199	9,430,633	10,944,535	28,224,367
Total Liabilities and Fund Balances	$ 15,282,524	$ 12,633,052	$ 12,156,400	$ 40,071,976

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

CASTRO VALLEY 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		$ 28,224,367
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 106,880,474	
Accumulated depreciation is	34,486,278	72,394,196
Special education settlement not available soon enough to pay for the current period's expenditures, and therefore is not recorded in the fund statements.		203,512
Expenditures relating to debt issuance costs are recorded as deferred charges and amortized over the life of the bonds in the government wide statements, but are expensed when the debt is issued on the fund statements.		936,749
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance and property and liability programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		124,558
Interest on long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(848,653)
Long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds		
Long-term obligations at year end consist of:		
Bonds payable	42,320,000	
Bond premiums, net of amortization	612,389	
Capital leases payable	132,801	
Certificates of participation	1,260,000	
Compensated absences (vacations)	419,894	(44,745,084)
Total Net Assets - Governmental Activities		$ 56,289,645

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

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

	General	Building	Nonmajor Governmental	Total Governmental
REVENUES				
Revenue limit sources	$ 41,435,080	$ -	$ 2,211,581	$ 43,646,661
Federal sources	10,758,902	-	623,550	11,382,452
Other state sources	30,213,047	-	691,477	30,904,524
Other local sources	1,996,965	643,638	5,170,383	7,810,986
Total Revenues	84,403,994	643,638	8,696,991	93,744,623
EXPENDITURES				
Current				
Instruction	36,835,897	-	1,524,802	38,360,699
Instruction related activities:				
Supervision of instruction	1,788,269	-	600	1,788,869
Instructional library, media and technology	458,518	-	-	458,518
School site administration	5,136,955	-	808,369	5,945,324
Pupil Services:				
Home-to school transportation	884,425	-	-	884,425
Food services	38,949	-	2,037,786	2,076,735
All other pupil services	2,215,632	-	-	2,215,632
General administration:				
Data processing	82,277	-	-	82,277
All other general administration	3,050,849	-	184,852	3,235,701
Plant services	5,355,849	71,117	441,268	5,868,234
Facility acquisition and construction	87,131	14,865,129	1,088,543	16,040,803
Ancillary services	702,785	-	-	702,785
Community services	130,823	-	-	130,823
Other outgo	27,462,335	-	-	27,462,335
Debt service				
Principal	-	232,198	900,000	1,132,198
Interest and other	-	69,015	1,963,288	2,032,303
Total Expenditures	84,230,694	15,237,459	8,949,508	108,417,661
Excess (deficiency) of revenues over expenditures	173,300	(14,593,821)	(252,517)	(14,673,038)
Other Financing Sources (Uses):				
Transfers in	-	359,211	-	359,211
Transfers out	(264,554)	-	(359,211)	(623,765)
Net Financing Sources (Use	(264,554)	359,211	(359,211)	(264,554)
NET CHANGE IN FUND BALANCES	(91,254)	(14,234,610)	(611,728)	(14,937,592)
Fund Balance - Beginning	7,940,453	23,665,243	11,556,263	43,161,959
Fund Balance - Ending	$ 7,849,199	$ 9,430,633	$ 10,944,535	$ 28,224,367

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

CASTRO VALLEY 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		$ (14,937,592)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Depreciation expense	$ (2,495,741)	
Capital outlays	15,882,292	13,386,551
In the statement of activities, certain operating expenses such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amounts actually paid). This year vacation earned was less than the amounts paid.		(96,224)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance and property and liability insurance programs to the individual funds. The net loss of the internal service fund is reported with governmental activities.		84,399
Premiums on bonds are amortized over the term of the bond in the government-wide statements, but are recorded as an other source of funds in the year of issue on the governmental fund statements.		28,062
Payment of issue costs of bonds are recorded as prepaid expenses in the government - wide statements, but are recorded as expenditures in the governmental fund statements.		(46,899)
Unmatured interest on long-term obligations is recognized in the period when it is due in governmental fund statements. On the government-wide statements, unmatured interest on long-term obligations is recognized in the period incurred.		(49,355)
Payment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities.		1,132,198
Revenues earned in a prior period, but were not available under the modified accrual basis of accounting are, not accrued in governmental fund statements, but recorded when received. In the government-wide statement of net assets, the receivable is recorded for the entire amount when earned and amounts received during the year reduce the receivable.		(33,952)
Change in Net Assets of Governmental Activities		**$ (532,812)**

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 123,882
Receivables	876
Total Assets	124,758
LIABILITIES	
Current Liabilities	
Accounts payable	200
Total Current Liabilities	200
NET ASSETS	
Unrestricted	$ 124,558

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

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

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	$ 511
Total Operating Revenues	511
OPERATING EXPENSES	
Payroll costs	244
Insurance and other costs	185,200
Total Operating Expenses	185,444
Operating Income (Loss)	(184,933)
NONOPERATING REVENUES (EXPENSES)	
Interest income	4,778
Transfer in	264,554
Total Nonoperating Revenues (Expenses)	269,332
Change in net assets	84,399
Total Net Assets - Beginning	40,159
Total Net Assets - Ending	$ 124,558

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

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

		Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	$	(393)
Cash payments to employees for services		(244)
Cash payments for insurance claims		(246,824)
Cash payments for facility use		61,624
Net Cash Used by Operating Activities		(185,837)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer in from other funds		264,554
Net Cash Provided from Noncapital Financing Activities		264,554
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		4,778
Net Cash Provided (Used) from Investing Activities		4,778
Net increase in cash and cash equivalents		83,495
Cash and cash equivalents - Beginning		40,387
Cash and cash equivalents - Ending	$	123,882
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating income (loss)	$	(184,933)
Adjustments to reconcile operating income to net cash used by operating activities:		
Changes in assets and liabilities:		
Receivables		(754)
Accrued liabilities		(150)
NET CASH USED BY OPERATING ACTIVITIES	$	(185,837)

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

		Agency Funds
ASSETS		
Deposits and investments	$	432,046
Total assets	$	432,046
LIABILITIES		
Due to student groups	$	432,046
Total liabilities	$	432,046

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Castro Valley Unified School District was unified in 1965 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 nine elementary, two middle schools, one high school, a continuation high school, an adult education, and a special education preschool.

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 Castro Valley Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

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

The Castro Valley Unified School District Financing Corporation's financial activity is presented in the financial statements as part of the Building Capital Projects Fund and the Tax Override Debt Service Fund. Certificates of participation issued by the Corporation are included in the long-term obligations in the statement of net assets. Individually-prepared financial statements are not prepared for the Corporation.

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

Alameda County Schools Insurance Group (ACSIG), East Bay Schools Insurance Group (EBSIG), the Northern California Regional Excess Liability Fund (NorCal ReLiEF), School Excess Liability Fund (SELF), and the South Bay Transportation JPA (SoJBTJPA) joint power authorities (JPA's).

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Building Fund The Building Capital Projects Fund accumulates State apportionments and proceeds from bond issuance to be used for the acquisition, construction, or improvement of major capital facilities.

Non-Major Governmental Funds

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

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

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.

Special Reserve Fund for Other than Capital Outlay The Special Reserve Fund for Other than Capital Outlay is used to provide for the accumulation of General Fund monies for general operating purposes.

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

Capital Facilities Fund The capital facilities fund Capital Projects Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Qualify Act (CEQA). In addition, this fund includes the activity of the Castro Valley Unified School District Financing Corporation component unit.

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

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

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, 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.

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

Internal Service Fund Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a self-insurance program that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is classified as agency 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 statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues 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. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. 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 purposes result from special revenue funds and the restrictions on their net asset use.

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

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

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

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. 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 are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

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

Cash and Cash Equivalents

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

Investments

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

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the available 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 Debt Service Fund represent cash and cash equivalents required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Stores Inventory

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of $17,000. 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. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 10 to 50 years; equipment, 2 to 20 years.

Interfund Balances

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

Compensated Absences

Accumulated unpaid employee 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 the year end that have not yet been paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

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 governmental 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 a liabilities in the governmental fund financial statements when due.

Fund Balance Reserves and Designations

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

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

Interfund Activity

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

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 Alameda bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Changes in Accounting Principles

In March 2003, the Governmental Accounting Standards Board (GASB) issued GASBS 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. This pronouncement does not have any impact on the current year's financial statement.

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, 2008. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In December 2004, GASB issued 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.

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. The District has implemented this pronouncement.

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 funds	$ 29,999,627	
Less: Overdrafts	(25)	
Total Governmental funds		$ 29,999,602
Proprietary		123,882
Fiduciary funds		432,046
Total Deposits and Investments		$ 30,555,530

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

Cash on hand and in banks	$ 899,194
Cash in revolving	67,000
Investments, net of overdrafts	29,589,336
Total Deposits and Investments	$ 30,555,530

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.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

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

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

Interest Rate Risk

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

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity In Years
County Pool	$ 24,755,061	0.926
State Investment Pool	4,834,275	0.450
Total	$ 29,589,336	

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 measure by the assignment of a rating by a nationally recognized statistical rating organization. The investment pools are not required to be rated.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. There are no investments in any one issuer that represent five percent (5%) or more of the total investments.

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 $856,558 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.

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	Building	Nonmajor Funds	Total	Proprietary
Federal Government					
Categorical aid	$ 3,419,396	$ -	$ 139,882	$ 3,559,278	$ -
State Government					
Apportionment	1,849,178	-	174,034	2,023,212	-
Categorical aid	143,203	-	-	143,203	-
Lottery	656,476	-	-	656,476	-
Other state	2,120,715	2,331	306,336	2,429,382	-
Local Government					-
Interest	45,854	86,572	63,023	195,449	876
Other Local Sources	182,877	-	-	182,877	-
Total	$ 8,417,699	$ 88,903	$ 683,275	$ 9,189,877	$ 876

Additional long term receivables include $203,512 for a special education settlement with payments expected to be received annually over the next seven years.

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Governmental Activities				
Capital Assets not being depreciated				
Land	$ 23,256,124	$ -	$ -	$ 23,256,124
Construction in progress	3,235,909	15,822,184	5,900,357	13,157,736
Total Capital Assets Not Being Depreciated	26,492,033	15,822,184	5,900,357	36,413,860
Capital Assets being depreciated				
Land improvements	11,705,346	394,613	-	12,099,959
Buildings and improvements	50,482,556	5,431,605	-	55,914,161
Furniture and equipment	2,318,247	134,247	-	2,452,494
Total Capital Assets Being Depreciated	64,506,149	5,960,465	-	70,466,614
Less Accumulated Depreciation				
Land improvements	8,033,899	883,977	-	8,917,876
Buildings and improvements	22,065,173	1,484,968	-	23,550,141
Furniture and equipment	1,891,465	126,796	-	2,018,261
Total Accumulated Depreciation	31,990,537	2,495,741	-	34,486,278
Governmental Activities Capital Assets, Net	$ 59,007,645	$ 19,286,908	$ 5,900,357	$ 72,394,196

Depreciation expense charged as a direct expense to governmental functions are as follows:

Governmental Activities	
Instruction	$ 1,526,479
Supervision of instruction	73,824
Instructional library, media, and technology	18,923
School site administration	245,356
Home-to-school transportation	36,499
Food services	82,067
Other pupil services	91,436
Ancillary services	29,003
Community services	5,399
Enterprise	7,653
Data processing	3,395
All other general administration	133,533
Plant maintenance and operations	242,174
Total Depreciation Expenses Governmental Activities	$ 2,495,741

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2005, between major and nonmajor governmental funds, are as follows:

	Due From			
Due To	General	Building	Nonmajor Governmental	Total
General	$ -	$ -	$ 60,771	$ 60,771
Building	6	-	-	6
Nonmajor Governmental	191,125	484,763	(2,266)	673,622
Total	$ 191,131	$ 484,763	$ 58,505	$ 734,399

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

Operating Transfers

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

	Transfer From			
Transfer To	Building	Nonmajor Governmental	Internal Service	Total
General	$ -	$ -	$ 264,554	$ 264,554
Nonmajor governmental	359,211	-	-	359,211
Total	$ 359,211	$ -	$ 264,554	$ 623,765

The General Fund transferred to the Self-Insurance Fund for current year premiums.	$ 264,554
The Special Reserve - Capital Outlay Fund transferred to the Building Fund for Capital Lease debt service.	93,216
The Special Reserve - Capital Outlay Fund transferred to the Building Fund for COP debt service.	265,995
Total	$ 623,765

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

NOTE 6 – ACCOUNTS PAYABLE

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

	General	Building	Nonmajor Governmental	Total	Proprietary
Vendor payables	$ 954,348	$ 3,202,413	$ 456,590	$ 4,613,351	$ -
Salaries and benefits	418,513	-	32,384	450,897	-
Other significant payables	4,874,462	-	-	4,874,462	-
Other	-	-	23,461	23,461	200
Total	$ 6,247,323	$ 3,202,413	$ 512,435	$ 9,962,171	$ 200

NOTE 7 – DEFERRED REVENUE

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

	General	Nonmajor Governmental	Total
Federal financial assistance	$ 370,181	$ -	$ 370,181
State categorical aid	730,418	25,783	756,201
Other local	8,118	-	8,118
Total	$ 1,108,717	$ 25,783	$ 1,134,500

NOTE 8 – LONG-TERM OBLIGATIONS

Long-Term Summary

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

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due in One Year
General obligation bonds	$ 43,220,000	$ -	$ 900,000	$ 42,320,000	$ 1,130,000
Certificates of participation	1,410,000	-	150,000	1,260,000	145,000
Accumulated vacation - net	323,670	96,224	-	419,894	-
Capital leases	214,999	-	82,198	132,801	87,216
	45,168,669	96,224	1,132,198	44,132,695	1,362,216
Premiums, net of amortization	640,451	-	28,062	612,389	28,062
	$ 45,809,120	$ 96,224	$ 1,160,260	$ 44,745,084	$ 1,390,278

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the Certificates of Participation (COP's) and capital leases are made by the Building Fund using bond proceeds. The accrued vacation will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2004	Addition	Redeemed	Bonds Outstanding June 30, 2005
1998	2023	4.00-7.00%	$ 6,000,000	$ 3,905,000	$ -	$ 85,000	$ 3,820,000
2000	2025	4.15-5.60%	8,500,000	8,010,000	-	190,000	7,820,000
2001	2026	4.75-7.75%	8,100,000	7,685,000	-	35,000	7,650,000
2002	2027	4.10-5.00%	8,550,000	8,370,000	-	190,000	8,180,000
2003	2028	4.10-5.00%	7,000,000	7,000,000	-	400,000	6,600,000
2004	2028	4.00-6.00%	8,250,000	8,250,000	-	-	8,250,000
				$43,220,000	$ -	$ 900,000	$ 42,320,000

Debt Service Requirements to Maturity

The bonds mature through 2028 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2006	$ 1,130,000	$ 1,986,133	$ 3,116,133
2007	885,000	1,919,561	2,804,561
2008	985,000	1,868,440	2,853,440
2009	1,125,000	1,815,971	2,940,971
2010	1,175,000	1,761,248	2,936,248
2011-2015	7,625,000	7,883,888	15,508,888
2016-2020	9,450,000	5,978,066	15,428,066
2021-2025	11,875,000	3,467,526	15,342,526
2026-2029	8,070,000	631,907	8,701,907
Total	$ 42,320,000	$ 27,312,740	$ 69,632,740

Certificates of Participation

In April 1997, the District, in conjunction with the Castro Valley Financing Corporation, issued certificates of participation in the amount of $785,000 with a 4.5 percent interest rate. In July 1999, the District issued a COP in the amount of $3,315,000 with interest rates ranging from 3.00 to 4.40 percent. At June 30, 2005, the principal balance outstanding was $1,260,000.

The certificates mature through 2013 as follows:

Year Ending June 30,	Principal	Interest	Total
2006	$ 145,000	$ 52,373	$ 197,373
2007	150,000	46,790	196,790
2008	150,000	40,865	190,865
2009	160,000	34,865	194,865
2010	170,000	28,305	198,305
2010-2013	485,000	34,805	519,805
Total	$ 1,260,000	$ 238,003	$ 1,498,003

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2005, amounted to $419,894.

Capital Leases

The District has entered into various capital lease arrangements and has recorded capital assets and depreciation expense for the energy efficiency project based on the original estimated assessment of the historical cost of the buildings. The District's liability on lease agreements with options to purchase are summarized below:

	Energy Efficiency
Balance, July 1, 2004	$ 214,999
Payments	82,198
Balance, June 30, 2005	$ 132,801

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2006	$ 93,216
2007	46,607
Total	139,823
Less: Amount Representing Interest	7,022
Present Value of Minimum Lease Payments	$ 132,801

NOTE 9 – FUND BALANCES

Fund balances with designations are composed of the following elements:

	General	Building	Nonmajor Governmental	Total
Reserved				
Revolving cash	$ 62,000	$ -	$ 5,000	$ 67,000
Stores inventory	87,855	-	30,965	118,820
Prepaid expenditures	29,278	-	-	29,278
Total Reserved	179,133	-	35,965	215,098
Unreserved				
Designated				
Economic uncertainties	1,709,399	-	189,807	1,899,206
Other designation	5,960,667	9,430,633	8,461,999	23,853,299
Total Designated	7,670,066	9,430,633	8,651,806	25,752,505
Undesignated	-	-	2,256,764	2,256,764
Total Unreserved	7,670,066	9,430,633	10,908,570	28,009,269
Total	$ 7,849,199	$ 9,430,633	$ 10,944,535	$ 28,224,367

NOTE 10 – POSTEMPLOYMENT BENEFITS

The District provides lifetime postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 for Certificated and 57 for Classified with at least 12 years of service and were hired under union contracts prior to 1986. The District pays 100 percent of health and welfare premiums for employees who retired before September 30, 1989; after that a cap amount is paid. Currently, 260 employees are eligible for the postemployment benefits. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of $1,163,875were recognized for retirees' health care benefits.

The District had an actuarial study completed in June 2005. The estimated present value of future benefits as of June 30, 2005 amounts to $13,233,160 as determined by the actuarial study.

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2005, the District contracted with School Excess Liability Fund (SELF), Northern California Regional Excess Liability Fund (ReLiEF), and East Bay Schools Insurance Group (EBSIG) for excess property and liability insurance coverage. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation and Other Insurance

For fiscal year 2005, the District participated in the Alameda County School Insurance Group (ACSIG), an insurance purchasing pool. The intent of the ACSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ACSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the ACSIG. Each participant pays its workers ' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG. Participation in the ACSIG is limited to districts that can meet the ACSIG selection criteria.

Coverage provided by ACSIG for workers compensation and by ReLiEF, SELF, and SAFER for property and liability coverage as follows:

Insurance Program / Company Name	Limits	
Workers' Compensation Program		
Alameda County Schools Insurance Group (ACSIG)	Fully Insured	
Other Insurance		
Hartford - Crime	$500 - $2,000,000	
Property and Liability Program	Property Limits	Liability Limits
East Bay Schools Insurance Group (EBSIG)	$5,000 - $25,000	$50,000-1,000,000
Northern California Regional		
Excess Liability Fund (ReLiEF)	$25,000 - $250,000	$50,000 - $1,000,000
Reinsurance	$250,000 - $5,250,000	N/A
Schools Association For Excess Risk (SAFER)	$5,250,000 - $144,750,000	$1,000,000-$4,000,000

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 $2,429,772, $2,451,227, and $2,418,036, respectively, and equal 100 percent of the required contributions for each year.

PERS

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

Funding Policy

Active plan members are required to contribute 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, and2003 were $769,716, $810,906 and $210,666, respectively, and equal 100 percent of the required contributions for each year.

Social Security

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

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 $1,371,905 (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.

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.

Early Retirement

The District has adopted an early retirement incentive program. The District has entered into contracts with certain eligible employees whereby 17-25 service days per year will be performed during the future five-year period or age 65, whichever comes first, for a stipulated yearly amount plus employee benefits. The outstanding contract amount for this purpose is $217,450. This amount is contingent upon the employee performing the required service days per year.

Construction Commitments

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

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Castro Valley Center for the Arts	$ 3,615,241	12/12/05
Castro Valley High Alterations to Admin Building (Wing 800)	199,731	08/01/05
Castro Valley High 2 Story Modular Building (Wing 900)	359,886	12/31/05
Creekside Middle School New Gymnasium Building	1,105,150	10/12/05
Creekside Middle School Athletic Field Renovation	409,703	10/12/05
CVE/MSH/VNY/CSMS Restroom Renovation	327,070	09/01/05
Independent Elementary Modernization	1,731,327	09/01/05
Palomares Elementary Modernization	612,200	09/01/05
Proctor Elementary Modernization & New Multi Use Building	2,279,045	09/01/05
	$ 10,639,353	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Alameda County School Insurance group (ACSIG), East Bay Insurance Group (EBSIG), and the Northern California Regional Excess Liability Fund (Nor-Cal ReLiEF) and Schools Excess Liability Fund (SELF) public entity risk pools and the South Bay Transportation (SoBTJPA) joint powers authority (JPA). The District pays an annual premium to the applicable entity for its workers' compensation, and property liability coverage. Payments for transportation services received from the JPA are paid to the SoBTJPA. 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 generally available from the respective entities.

The District has appointed one board member to the Governing Boards of ACSIG, EBSIG, ReLiEF, and SoBTJPA.

During the year ended June 30, 2005, the District made payment of $708,187 and $407,879 to ACSIG and EBSIG, respectively for insurance services. At June 30, 2005 the District had no recorded accounts receivable or accounts payable of due from the JPA's.

NOTE 15 - SUBSEQUENT EVENTS

The District issued Series 2005 of the 1998 General Obligation Bond in the amount of $6,955,000 on July 19, 2005. The bonds carry interest rates ranging from 3.55 percent to 6.00 percent and mature from 2006 through 2030.

REQUIRED SUPPLEMENTARY INFORMATION

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts (GAAP Basis)			Variances - Positive (Negative)
	Original Unaudited	Final Unaudited	Actual (GAAP Basis)	Final to Actual
REVENUES				
Revenue limit sources	$41,001,829	$41,354,539	$ 41,435,080	$ 80,541
Federal sources	9,385,642	11,244,943	10,758,902	(486,041)
Other state sources	27,887,347	29,802,775	30,213,047	410,272
Other local sources	970,673	1,959,019	1,996,965	37,946
Total Revenues	79,245,491	84,361,276	84,403,994	42,718
EXPENDITURES				
Current				
Instruction	34,327,604	38,006,027	36,835,897	1,170,130
Instruction related activities:				
Supervision of instruction	1,524,361	2,635,820	1,788,269	847,551
Instructional library, media, and technology	373,462	759,572	458,518	301,054
School site administration	4,778,018	5,258,246	5,136,955	121,291
Pupil services:				
Home-to-school transportation	947,615	865,789	884,425	(18,636)
Food services	200	435	38,949	(38,514)
All other pupil services	2,011,328	2,561,009	2,215,632	345,377
General administration:				
Data processing	85,000	85,000	82,277	2,723
All other general administration	2,784,267	3,566,253	3,050,849	515,404
Plant services	5,483,299	5,591,323	5,355,849	235,474
Facility acquisition and construction	1,000	48,410	87,131	(38,721)
Ancillary services	598,247	695,493	702,785	(7,292)
Community services	111,435	111,435	130,823	(19,388)
Other outgo	25,772,234	27,656,701	27,462,335	194,366
Capital outlay	91,500	87,845	-	87,845
Total Expenditures	78,889,570	87,929,358	84,230,694	3,698,664
Excess (Deficiency) of Revenues Over Expenditures	355,921	(3,568,082)	173,300	3,741,382
Other Financing Sources (Uses):				
Transfers out	(450,340)	(264,554)	(264,554)	-
Net Financing Sources (Uses)	(450,340)	(264,554)	(264,554)	-
NET CHANGE IN FUND BALANCES	(94,419)	(3,832,636)	(91,254)	3,741,382
Fund Balance - Beginning	7,940,453	7,940,453	7,940,453	-
Fund Balance - Ending	$ 7,846,034	$ 4,107,817	$ 7,849,199	$ 3,741,382

* The budget columns do not include on-behalf payments of $1,371,905. This amount has been included in the actual column and allocated to the various functions.

SUPPLEMENTARY INFORMATION

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Basic Education	84.022	03055	$ 86,999
Elementary and Secondary Education Act			
Title I - Part A, Basic Grants Low Income and Neglected	84.010	04329	214,941
Title II - Part A, Teacher Quality	84.367	04341	87,065
Title II - Part D, Enhancing Education through Technology	84.318	04335	3,651
Title III - Limited English Proficiency (LEP) Student Program	84.365	00084	21,289
Title IV - Community Service Grant	84.184C	04348	24,608
Title IV - Part A, Drug Free Schools	84.186	04347	36,285
Title V - Innovative Education Strategies	84.298A	04354	22,303
Special Education [1]			
IDEA Early Intervention Grants	84.181	03761	162,980
IDEA Preschool Grants, Part B, Sec 619	84.173	03430	405,785
IDEA Infant Discretionary, Part B, Sec 611	84.027A	03682	13,854
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	03682	621,455
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	03431	7,094
SELPA - Pass Through to other Districts	84.027	03379	7,618,274
Local Assistance	84.027	03379	1,159,372
IDEA Low Incidence Entitlement, Part B, Sec 617	84.027A	03459	15,741
IDEA Local Staff Development Grant, Part B, Sec 611	84.027	03613	18,783
Workability I	84.027	03705	54,306
Vocational Educational Grants			
Post Secondary and Adult II C, Sec 132	84.048	03577	184,311
Total U.S. Department of Education			10,759,096
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition School Programs	10.553	03755	389,494
Fair Market Value of Commodities Received	10.565	03755	88,142
Total U.S. Department of Agriculture			477,636
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Department of Probation			
Drug Free Community Support	93.276	[2]	100,179
Temporary Assistance for Needed Families (TANF)	93.558	[2]	45,541
(Contract # C-99-376, Contract amount: $54,475, Contract period: 7/1/04 to 6/30/05)			
Total U.S. Department of Health and Human Services			145,720
Total Expenditures of Federal Awards			$11,382,452

See accompanying note to supplemental information.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2005

	Amended Second Period Report	Amended Annual Report
ELEMENTARY		
Kindergarten	514	515
First through third	1,617	1,617
Fourth through sixth	1,787	1,787
Seventh and eighth	1,428	1,430
Opportunity schools	6	6
Special education	115	117
Total Elementary	5,468	5,473
SECONDARY		
Regular classes	2,616	2,602
Continuation education	17	17
Opportunity schools	21	20
Home and hospital	2	3
Special education	56	56
Students 21 and over and 19 or older not continuously enrolled since their 18th birthday, enrolled in K-12 through independent study	8	8
Total Secondary	2,720	2,706
Total K-12	8,188	8,179
REGIONAL OCCUPATIONAL PROGRAM	191	215
CLASSES FOR ADULTS		
Concurrently enrolled	8	10
Not concurrently enrolled	977	1,010
Total Classes for Adults	985	1,019
Grand Total	9,363	9,413

	Hours of Attendance
SUPPLEMENTAL HOURS	
Elementary	85,136
High school	67,386
Total Hours	152,522

See accompanying note to supplemental information.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2005

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2004-05 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,680	36,000	36,000	180	180	In compliance
Grades 1 - 3	41,360	50,400	53,640	180	180	In compliance
Grades 4 - 6	53,680	54,000	55,856	180	180	In compliance
Grades 7 - 8	53,680	54,000	57,888	180	Not Applicable	In compliance
Grades 9 - 12	62,480	64,800	67,855	180	Not Applicable	In compliance

See accompanying note to supplemental information.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Summarized below are the Form Debt reconciliations between the Unaudited Actual Financial Report, and the audited financial statements:

FORM DEBT		
Total Liabilities, June 30, 2005, Unaudited Actuals	$	57,281,980
Decrease in post employment retiree benefits		(13,149,285)
Increase in bond premiums, net of amortization		612,389
Total Liabilities, June 30, 2005, Audited Financial Statement	$	44,745,084

See accompanying note to supplemental information.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

	(Budget) 2006 [1]	2005	2004	2003
GENERAL FUND				
Revenues [2]	$ 86,126,960	$ 84,403,994	$ 77,126,850	$ 79,255,334
Other sources	-	-	-	-
Total Revenues and Other Sources	86,126,960	84,403,994	77,126,850	79,255,334
Expenditures [2]	85,535,950	84,230,694	79,009,591	78,638,332
Other uses and transfers out	591,010	264,554	613,945	593,407
Total Expenditures and Other Uses	86,126,960	84,495,248	79,623,536	79,231,739
INCREASE (DECREASE) IN FUND BALANCE	$ -	$ (91,254)	$ (2,496,686)	$ 23,595
ENDING FUND BALANCE	$ 7,849,199	$ 7,849,199	$ 7,940,453	$ 10,437,139
AVAILABLE RESERVES [3]	$ 1,758,350	$ 1,709,399	$ 2,388,706	$ 2,400,547
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.03%	3.03%	3.00%	3.03%
LONG-TERM DEBT	$ 43,354,806	$ 44,745,084	$ 45,809,120	$ 31,857,640
K-12 AVERAGE DAILY ATTENDANCE AT P-2	8,300	8,188	8,031	7,861

The General Fund balance has decreased by $2,587,940 over the past two years. The fiscal year 2005-06 budget projects no change. For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses less SELPA pass through expenditures (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates no change in the 2005-06 fiscal year. Total long-term debt has increased by $12,887,444 over the past two years primarily due to issuance of general obligation bonds.

Average daily attendance has increased by 327 over the past two years. Additional growth of 112 ADA is anticipated during fiscal year 2005-06.

1 Budget 2006 is included for analytical purposes only and has not been subjected to audit.

2. On behalf payments of $1,371,905, $1,317,268 and $651,246, respectively, have been excluded from the calculation of available reserves for fiscal years ending June 30, 2005, 2004, and 2003. The expenditure and other outgo base for 2005 and 2006 used to calculate required reserves excludes SELPA pass through expenditures in the amount of $26,730,025 for 2005 and 2006.

3 Available reserves consist of all undesignated fund balances and funds designated for economic uncertainty contained within the General Fund.

See accompanying note to supplemental information.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2005

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Amount Provided to Subrecipients
Special Education - SELPA	84.027	$ 7,618,274

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionment's of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement whichever is greater, as required by Education Code Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

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SUPPLEMENTARY INFORMATION - UNAUDITED

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - UNAUDITED
JUNE 30, 2005

	Adult	Child Development	Cafeteria	Deferred Maintenance	Special Reserve Non-Capital	Capital Facilities	Special Reserve Capital Outlay	Bond Interest and Redemption	Tax Override	Total Non Major Governmental
ASSETS										
Deposits and investments	$ 381,242	$ -	$ 86,641	$ 1,829,448	$ 1,352,621	$1,528,722	$ 3,960,679	$ 1,762,774	$ 481,528	$ 11,383,655
Receivables	216,559	6,604	106,213	306,963	2,716	10,817	20,941	12,462	-	683,275
Due from other funds	44,580	-	13,925	-	-	-	-	-	-	58,505
Stores inventories	-	-	30,965	-	-	-	-	-	-	30,965
Total assets	$ 642,381	$ 6,604	$ 237,744	$ 2,136,411	$ 1,355,337	$1,539,539	$ 3,981,620	$ 1,775,236	$ 481,528	$ 12,156,400
LIABILITIES AND FUND BALANCES										
Liabilities:										
Overdrafts	$ -	$ 25	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 25
Accounts payable	36,443	163	38,757	204,662	-	232,410	-	-	-	512,435
Due to other funds	92,882	6,416	81,592	-	-	492,732	-	-	-	673,622
Deferred revenue	25,783	-	-	-	-	-	-	-	-	25,783
Total liabilities	155,108	6,604	120,349	204,662	-	725,142	-	-	-	1,211,865
Fund Balances:										
Reserved for:										
Stores inventories	-	-	30,965	-	-	-	-	-	-	30,965
Other reservations	5,000	-	-	-	-	-	-	-	-	5,000
Unreserved:										
Designated	482,273	-	86,430	1,931,749	1,355,337	814,397	3,981,620	-	-	8,651,806
Undesignated, reported in:										
Debt service funds	-	-	-	-	-	-	-	1,775,236	481,528	2,256,764
Total fund balance	487,273	-	117,395	1,931,749	1,355,337	814,397	3,981,620	1,775,236	481,528	10,944,535
Total Liabilities and Fund Balances	$ 642,381	$ 6,604	$ 237,744	$ 2,136,411	$ 1,355,337	$1,539,539	$ 3,981,620	$ 1,775,236	$ 481,528	$ 12,156,400

See accompanying note to supplementary information –unaudited.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2005

	Adult	Child Development	Cafeteria	Deferred Maintenance	Special Reserve Non-Capital	Capital Facilities	Special Reserve Capital	Bond Interest and Redemption	Tax Override	Total Nonmajor Governmental
REVENUES										
Revenue limit sources	$2,211,581	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,211,581
Federal sources	145,914	-	477,636	-	-	-	-	-	-	623,550
Other state sources	20,970	53,880	21,516	550,786	-	-	-	44,325	-	691,477
Other local sources	357,233	143	1,584,541	39,745	26,375	408,761	97,111	2,656,474	-	5,170,383
Total Revenues	2,735,698	54,023	2,083,693	590,531	26,375	408,761	97,111	2,700,799	-	8,696,991
EXPENDITURES										
Current										
Instruction	1,472,956	51,846	-	-	-	-	-	-	-	1,524,802
Instruction related activities:										
Supervision of instruction	600	-	-	-	-	-	-	-	-	600
School site administration	808,169	200	-	-	-	-	-	-	-	808,369
Pupil Services:										
Food services	-	-	2,037,786	-	-	-	-	-	-	2,037,786
General administration:										
All other general administration	87,525	1,977	74,100	-	-	21,250	-	-	-	184,852
Plant services	176,336	-	349	169,219	-	95,364	-	-	-	441,268
Facility acquisition and construction	36,476	-	-	170,346	-	881,721	-	-	-	1,088,543
Debt service										
Principal	-	-	-	-	-	-	-	900,000	-	900,000
Interest and other	-	-	-	-	-	-	-	1,963,288	-	1,963,288
Total Expenditures	2,582,062	54,023	2,112,235	339,565	-	998,335	-	2,863,288	-	8,949,508
Excess (deficiency) of revenues over expenditures	153,636	-	(28,542)	250,966	26,375	(589,574)	97,111	(162,489)	-	(252,517)
Other Financing Sources (Uses):										
Transfers out	-	-	-	-	-	-	(359,211)	-	-	(359,211)
Net Financing Sources (Uses)	-	-	-	-	-	-	(359,211)	-	-	(359,211)
NET CHANGE IN FUND BALANCES	153,636	-	(28,542)	250,966	26,375	(589,574)	(262,100)	(162,489)	-	(611,728)
Fund Balance - Beginning	333,637	-	145,937	1,680,783	1,328,962	1,403,971	4,243,720	1,937,725	481,528	11,556,263
Fund Balance - Ending	$ 487,273	$ -	$ 117,395	$ 1,931,749	$ 1,355,337	$ 814,397	$3,981,620	$ 1,775,236	$ 481,528	$ 10,944,535

See accompanying note to supplementary information –unaudited.

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED
JUNE 30, 2005

NOTE 1 – PURPOSE OF SCHEDULES

Non-Major Governmental Funds – Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance – Unaudited

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.

INDEPENDENT AUDITORS' REPORTS

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

VALUE THE DIFFERENCE

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

Governing Board
Castro Valley Unified School District
Castro Valley, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Castro Valley Unified School District as of and for the year ended June 30, 2005, and have issued our report thereon dated September 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Castro Valley Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Castro Valley Unified School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as items 2005-1 and 2005-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Castro Valley Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

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provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing.*

This report is intended solely for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
September 23, 2005

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

VALUE THE DIFFERENCE

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

Governing Board
Castro Valley Unified School District
Castro Valley, California

Compliance

We have audited the compliance of Castro Valley Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2005. Castro Valley Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Castro Valley Unified School District's management. Our responsibility is to express an opinion on Castro Valley Unified School District's compliance based on our audit.

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

In our opinion, Castro Valley Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Castro Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Castro Valley Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
September 23, 2005

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Castro Valley Unified School District
Castro Valley, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Castro Valley Unified School District as of and for the year ended June 30, 2005, and have issued our report thereon dated September 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 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 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.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of the Castro Valley Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Castro Valley Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Title V	Procedures Performed
Attendance accounting		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	22	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	No
Instructional time and staff development reform program	7	Yes
Instructional Time:		
School districts	4	Yes
County Offices of Education	3	Not Applicable
Community day schools	9	Not Applicable
Class size reduction program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school servicing K-3	4	Not Applicable
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Early retirement incentive	4	Not Applicable
GANN limit calculation	1	Yes
School Construction Funds		
School District bonds	3	Yes
State School facilities funds	1	Not Applicable
Alternate pension plans	2	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes

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We did not perform testing for Regional Occupational Program, as Castro Valley Unified School District is a member of the Eden Area Regional Occupational Program who operates the program. With respect to the Alternative Pension Plan Compliance requirement, the District has represented to us that they have not entered into any such arrangement.

Based on our audit, we found that for the items tested, the Castro Valley Unified School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Castro Valley Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Castro Valley Unified School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP
Pleasanton, California
September 23, 2005

Schedule of Findings and Questioned Costs

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SUMMARY OF AUDITORS RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reporting conditions identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Reporting conditions identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program or Cluster
84.027	Special Education - Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 341,474
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Reporting conditions identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for State programs:	Unqualified

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

FINANCIAL STATEMENT FINDINGS

The following findings represent reportable conditions, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

2005-1 Code 30000

Criteria or specific requirements
Student Body funds are subject to greater risk of loss due the nature of the receipts being primarily cash and due to the decentralization of the accounting processes. Increased internal control procedures will assist the District in decreasing the risk of potential losses of these funds. Strong internal controls over disbursement of student body funds and procedures recommended by the Associated Student Body Accounting Manual require that all disbursements be supported by invoices and that funds collected be supported by sequentially prenumbered receipts.

Condition
Invoice copies for fieldtrip events and other costs, including tickets purchased for students attending the events, were not readily locatable in a manner allowing for support of the funds disbursed from the student body funds. In addition, we noted that the funds collected at the site were not supported by prenumbered receipts.

Questioned costs
None

Context
One elementary school does not maintain invoice copies to support disbursements, including tickets purchased for students in connection with field trips, in a readily locatable manner nor use a prenumbered receipt system for collections of funds.

Effect
The school was unable to produce documentation from an external party supporting the expenditures, including ticket costs, or provide receipts to assist in determining if all the funds the school should have received were deposited into the applicable bank accounts.

Recommendation
We recommend the all disbursements, including those for tickets purchased for students attending fieldtrips, be documented by retention of an invoice or receipt obtained at the time of the purchase. In addition, we recommend that a prenumbered receipt be issued for all funds collected.

District Response
The district recognizes the importance of complete financial records of student body accounts. Student Body Fund procedures outlined in the district developed manual will be reviewed with the site personnel. Site visits will be performed periodically to ensure compliance.

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2005-2 Code 30000

Criteria or specific requirements
General best accounting practices emphasize the importance of strong internal controls. Strong internal controls over district cash clearing bank accounts are based on routine reconciliation of those accounts in order to verify the accuracy of the records and to transfer any excess funds to the County Treasury for safekeeping and investment.

Condition
During the course of the 2004-05 fiscal year we noted that the reconciliations of, and clearing of, the district clearing account were not completed in a timely manner.

Questioned costs
None.

Context
We noted that the individual previously in charge of this process left the employee of the District during the time period in question and that the task was re-assigned to another individual who was not able to accomplish the task.

Effect
Delays in reconciling and clearing the bank account results in the internal cross check procedures not being accomplished and in cash remaining in the bank accounts rather than being transferred to the county treasury where it would earn interest.

Recommendation
We recommend the District allocate sufficient staff time to update the cash clearing reconciliations and clearing processes so that the records are verified and any excess cash is transferred to the county cash investments to maximize any potential investment earnings.

District Response
The employee assigned to this account reconciliation was unable to complete the task due to complications during the fiscal year end closing process. Assistance was provided by another staff member, but together they were unable to complete the account reconciliation. The task has been taken over by the Business Services Director until it can be reassigned.

FEDERAL AWARD FINDINGS

None reported.

STATE AWARD FINDINGS

None reported.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

The following findings represent reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with generally accepted government audit standards. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

CANYON MIDDLE SCHOOL

2004-1 Code (30000)

Condition
During our review of the equipment listing at one school site, we noted that there were six computers with no district tag numbers on them. During our review of the student body activities, we noted that the vending machine managed by the athletics department does not appear to have an inventory count.

Recommendation
In order to strengthen the internal control and safeguard district assets, we recommend the site follow the district policy and procedures by tagging all new equipment received and notifying the appropriate department whenever there are changes to the equipment.

Current Status
Implemented.

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

Board of Education
Castro Valley Unified School District
Castro Valley, California

Castro Valley Unified School District
2006 General Obligation Refunding Bonds
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Castro Valley Unified School District (the "District), which is located in the County of Alameda, California (the "County"), in connection with the issuance of $18,565,000 aggregate principal amount of bonds designated as "Castro Valley Unified School District 2006 General Obligation Refunding Bonds" (the "Bonds"), as authorized by a resolution of the Board of Trustees of the District adopted on October 26, 2006 (the "Resolution"), and in accordance with the terms of a Paying Agent Agreement, dated as of November 1, 2006 (the "Paying Agent Agreement"), by and between the District and U.S. Bank National Association, as paying agent (the "Paying Agent"). The Bonds are issued to refund certain outstanding general obligation bonds of the District authorized at an election held in the District on April 14, 1998.

In such connection, we have reviewed the Resolution, the Paying Agent Agreement, certificates of the District, the Paying Agent and others, and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Resolution and the Paying Agent Agreement and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof.

Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Paying Agent Agreement. We call attention to the fact that the rights and obligations under the Bonds, the Resolution and the Paying Agent Agreement, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against school districts and counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of venue, choice of forum, severability or waiver provisions contained in the documents mentioned in the preceding sentence.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the District.

2. The Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The Paying Agent Agreement has been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a valid and binding obligation of the District. Assuming due authorization, execution and delivery of the Paying Agent Agreement and authentication of the Bonds by the Paying Agent, the Bonds are entitled to the benefits of the Paying Agent Agreement.

4. The Board of Supervisors of the County has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Bonds and the interest thereon.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Castro Valley Unified School District (the "District") in connection with the issuance of $18,565,000 aggregate principal amount of Castro Valley Unified School District 2006 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution (the "Resolution") adopted by the Board of Education of the District on October 26, 2006. 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 Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, 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.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"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.

"Holder" shall mean the person in whose name any Bond shall be registered.

"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. The National Repositories currently approved by the Securities and Exchange Commission are set forth at http://www.sec.gov/info/municipal/nrmsir.htm.

"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 the 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 the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission as listed at http://www.sec.gov/info/municipal/nrmsir.htm. As of the date of this 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 (currently ending June 30), commencing with the report for the 2005-06 Fiscal Year (which is due not later than April 1, 2007), provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-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 they are 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) 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). 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 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 the 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 District's Annual Report shall contain or include by reference the following:

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

To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

- Adopted budget of the District for the current fiscal year or a summary thereof, including any interim budget reports adopted as of the date of the Annual Report.

- District average daily attendance.

- District outstanding debt.

- Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County.

- Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

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. modifications to rights of Holders.

4. optional, contingent or unscheduled bond calls.

5. defeasances.

6. rating changes.

7. adverse tax opinions or events affecting the tax-exempt status of the Bonds.

8. unscheduled draws on the debt service reserves reflecting financial difficulties.

9. unscheduled draws on the credit enhancements reflecting financial difficulties.

10. substitution of the credit or liquidity providers or their failure to perform.

11. release, substitution or sale of property securing repayment of the Bonds.

(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 laws.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with each National Repository or with the Municipal Securities Rulemaking Board, and with the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) 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 Resolution.

SECTION 6. Electronic Filing. Submission of Annual Reports and notices of Listed Events to DisclosureUSA.org or another "Central Post Office" designated and accepted by the S.E.C. shall constitute compliance with the requirement of filing such reports and notices with each National Repository and any State Repository hereunder.

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

SECTION 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

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

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

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

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

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

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this

Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Alameda or in U.S. District Court in or nearest to the County. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 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: __________, 2006.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

CONTINUING DISCLOSURE EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Name of Bond Issue: CASTRO VALLEY UNIFIED SCHOOL DISTRICT 2006 GENERAL OBLIGATION REFUNDING BONDS

Date of Issuance: __________, 2006

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated the Date of Issuance. [The District anticipates that the Annual Report will be filed by _____________.]

Dated: ___________

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

By___________[to be signed only if filed]__________

APPENDIX D

EXCERPTS FROM THE
ALAMEDA COUNTY INVESTMENT PORTFOLIO REPORT

ALAMEDA COUNTY
TREASURER'S OFFICE
COMPOSITION OF TREASURER'S CASH POOL
June 30, 2006

The following summarizes the profile of the investment portfolio by category as of June 30, 2006 (see Attachment 1A for graphic illustration of Treasurer's investments by category):

	Book Value Cost	% Held	% Allowed by Sec 53601
LAIF	$40,000,000	1.65%	N.A.
Bankers Acceptance	24,092,588	0.99%	30%
Collateralized Time Deposits	53,700,000	2.22%	no limit
Negotiable Certificates of Deposits	170,000,000	7.02%	30%
Commercial Paper	223,688,311	9.24%	25%
Money Market Funds	194,000,000	8.01%	20%
Federal Agency Notes & Bonds #	1,179,898,547	48.72%	no limit
Federal Agency Discount Notes	165,888,026	6.85%	no limit
Medium term Notes	219,350,252	9.06%	30%
US Treasury Coupon	54,913,016	0.28%	no limit
US Treasury Discount	48,776,555	2.01%	
Total Investments	$2,374,307,295	98.05%	
Cash in Bank and on Hand	47,322,627	1.95%	
Total Treasurer's Pool	$2,421,629,922	100.00%	

Footnotes:

Of the total cash and investment holdings listed above $936,686,341 or 38.68% consisted of cash and investments maturing within three months of this report. See Attachment IB for full graphic illustration of Treasurer's investment by maturity.

The Federal Agency notes holdings consisted of the following breakdown:

Bullet issues	$119,359,650	4.93%
Callable issues	1,060,538,897	43.79%
Total	$1,179,898,547	48.72%

APPENDIX E

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

FINANCIAL
SECURITY
ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: N

Effective Date:

Premium: $

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

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

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

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

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

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ______________________ By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd. (212) 826-0100
31 West 52nd Street, New York, N.Y. 10019

Form 500NY (5/90)

FINANCIAL SECURITY ASSURANCE®

ENDORSEMENT NO. 1 TO MUNICIPAL BOND INSURANCE POLICY (California Insurance Guaranty Association)

ISSUER: Policy No.: -N

BONDS: Effective Date:

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the insurance provided by this Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

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 SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By: ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019 (212) 826-0100