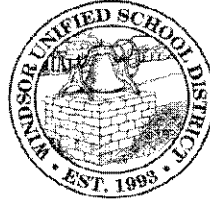


*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Windsor Unified School District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest with respect to the Certificates 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 with respect to the Certificates 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 with respect to, the Certificates. See "TAX MATTERS" herein.*



**\$7,445,000**

**CERTIFICATES OF PARTICIPATION  
(2006 Capital Projects)**

Evidencing and Representing the Fractional Undivided Interests  
of the Owners Thereof in Base Rental Payments to be made by the  
**WINDSOR UNIFIED SCHOOL DISTRICT**  
(Sonoma County, California)  
to the Windsor Unified School District Facilities Corporation  
(Bank Qualified)

**Dated: Date of Delivery**

**Due: August 1, as shown on inside cover**

*This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

The proceeds of the Certificates of Participation described herein (the "Certificates") will be used (i) to acquire, construct, improve, renovate, modernize, furnish and equip certain capital improvements to public school facilities for the benefit of the Windsor Unified School District (the "District"); (ii) to defease and prepay all or a portion of the District's outstanding Certificates of Participation (1998 Capital Projects), originally issued in the aggregate principal amount of \$6,150,000; (iii) to purchase a surety bond policy for deposit into the Certificate Reserve Fund; and (iv) to pay costs in connection with execution and delivery of the Certificates. The Certificates will be executed and delivered under the provisions of the Trust Agreement dated as of May 1, 2006 (the "Trust Agreement"), by and among U.S. Bank National Association, as trustee (the "Trustee"), the Windsor Unified School District Facilities Corporation (the "Corporation"), and the District. The Certificates represent fractional undivided interests in certain Base Rental Payments to be made by the District pursuant to a Facilities Sublease dated as of May 1, 2006 (the "Facilities Sublease"), by and between the Corporation and the District. The Corporation has assigned to the Trustee, for the benefit of the Certificate Owners, its rights to receive Base Rental Payments and its respective rights to enforce payment of said amounts when due in the event of a default by the District, or otherwise to protect the interests of the Owners.

Interest with respect to the Certificates is payable on each February 1 and August 1, commencing February 1, 2007. The Certificates will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Certificates. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

The Certificates are subject to optional and mandatory prepayment prior to their stated Certificate Payment Dates under conditions described herein. See "THE CERTIFICATES – Prepayment Provisions."

The District has covenanted under the Facilities Sublease to take such action as may be necessary to include all Base Rental Payments due in its annual budgets and to make the necessary annual appropriations for all such Base Rental Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES." The obligation of the District to make Base Rental Payments is in consideration for the use and occupancy of the sites and facilities subject to the Facilities Sublease (the "Facility"), and such obligation may be abated in whole or in part if there is substantial interference with the District's use and occupancy of the Facility. See "CERTAIN RISK FACTORS – Abatement."

**The obligation of the District to make Base Rental Payments is a special obligation of the District, and does not constitute a debt of the District, Sonoma County (the "County"), the State of California, or any of their respective political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.**

Timely payment of principal and interest with respect to the Certificates when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation coincident with the delivery of the Certificates. See "CERTIFICATE INSURANCE AND RESERVE SURETY" herein.

**Ambac**

The following firm served as financial advisor to the District for this issue:

**NORTHCROSS HILL ACH**  
*Financial Advisors to Public Agencies*

**PRINCIPAL PAYMENT SCHEDULE**

**See inside cover**

*The Certificates will be offered when, as and if executed and delivered by the Trustee and received by the Underwriter, subject to the approval of their legality by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District. Certain matters will be passed upon for the District and the Corporation by Girard, Vinson & Trujillo, Walnut Creek, California. It is anticipated that the Certificates will be available for delivery through DTC in New York, New York on or about June 14, 2006.*

## PRINCIPAL PAYMENT SCHEDULE

### \$7,445,000 WINDSOR UNIFIED SCHOOL DISTRICT CERTIFICATES OF PARTICIPATION (2006 Capital Projects)

BASE CUSIP NUMBER † 973519

Payment Date (August 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP†	Payment Date (August 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP†
2007	\$95,000	4.00%	3.50%	AN1	2014	\$175,000	3.90%	3.92%	AV3
2008	140,000	4.00	3.55	AP6	2015	180,000	4.00	100	AW1
2009	145,000	3.75	3.60	AQ4	2016	185,000	4.00	4.05	AX9
2010	150,000	3.75	3.63	AR2	2017	195,000	4.00	4.10	AY7
2011	155,000	3.75	3.68	AS0	2018	200,000	4.10	4.15	AZ4
2012	160,000	3.75	100	AT8	***	---	---	---	---
2013	165,000	3.85	100	AU5	2036	430,000	4.375	4.40	BF7

**\$430,000 4.125% Term Certificate due August 1, 2020 – Yield 4.20%, CUSIP† BA8**

**\$465,000 4.200% Term Certificate due August 1, 2022 – Yield 4.25%, CUSIP† BB6**

**\$1,965,000 4.250% Term Certificate due August 1, 2029 – Yield 4.35%, CUSIP† BD2**

**\$2,210,000 4.375% Term Certificate due August 1, 2035 – Yield 4.40%, CUSIP† BE0**

† CUSIP data herein has been obtained from Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies Inc. CUSIP data is included solely for the convenience of the owners of the Certificates. The District assumes no responsibility for the accuracy thereof.

This Official Statement does not constitute an offering of any security other than the original offering of the Certificates. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The execution and delivery of the Certificates have not been registered under the Securities Act of 1933 in reliance upon an exemption under Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The CUSIP numbers, offering prices and yields shown above were provided by the Underwriter and the District does not represent that these are accurate and takes no responsibility for reliance thereon. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

WINDSOR UNIFIED SCHOOL DISTRICT

DISTRICT BOARD OF TRUSTEES

Rick Massell  
Chair

Edward T. Seche  
Vice Chair/Clerk

Sandra Dobbins  
Member

Shari Kirichenko-Egan  
Member

Cheryl Scholar  
Member

District Administration

Steven D. Herrington, Ph.D.  
Superintendent

Mary Downey  
Chief Business Officer

Jeffrey Harding  
Assistant Superintendent /  
Director of Human Resources

Alan Enomoto, Ed.D.  
Director of Educational Services

WINDSOR UNIFIED SCHOOL DISTRICT FACILITIES CORPORATION

Board of Directors

Rick Massell  
President

Edward T. Seche  
Vice President

Mary Downey  
Treasurer

Steven D. Herrington, Ph.D.  
Secretary

Sandra Dobbins  
Director

Shari Kirichenko-Egan  
Director

Cheryl Scholar  
Director

PROFESSIONAL SERVICES

Bond Counsel  
and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP  
San Francisco, California

Trustee

U.S. Bank National Association  
St. Paul, Minnesota

Financial Advisor

Northcross, Hill & Ach, Inc.  
San Rafael, California

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\$7,445,000  
CERTIFICATES OF PARTICIPATION  
(2006 Capital Projects)  
Evidencing and Representing the Fractional Undivided Interests  
of the Owners Thereof in Base Rental Payments to be made by the  
WINDSOR UNIFIED SCHOOL DISTRICT  
(Sonoma County, California)  
to the Windsor Unified School District Facilities Corporation

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## INTRODUCTION

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

The purpose of this Official Statement, which includes the cover page and Appendices hereto (the "Official Statement"), is to furnish information in connection with the execution and delivery by the Trustee of \$7,445,000 aggregate principal amount of Certificates of Participation (2006 Capital Projects) (the "Certificates"). The Official Statement speaks only as of its date, and the information contained herein is subject to change. The Windsor Unified School District (the "District") has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "MISCELLANEOUS - Continuing Disclosure" herein.

Copies of documents referred to herein and information concerning the Certificates are available from the District through the Office of the Superintendent, 9291 Old Redwood Highway, Bldg. 500, Windsor, California 95492. The District may impose a charge for copying, mailing and handling.

Quotations from and summaries and explanations of the Certificates, the Trust Agreement, the Facilities Sublease, the Assignment Agreement, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract between the District and the original purchaser or subsequent owners of any of the Certificates. Unless otherwise defined herein, all capitalized terms used herein shall have the definitions set forth in the Trust Agreement or the Facilities Sublease. See also APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS - CERTAIN DEFINITIONS."

### The District

The District was established in 1993, is located in Sonoma County, California, encompassing an area of approximately 31 square miles, and serves students from the Town of Windsor, a portion of the Town of Healdsburg, and unincorporated areas of Sonoma County along the Highway 101 corridor north of Santa Rosa.

The District operates three elementary schools, one middle school, and one high school. The District also operates a Spanish-English language dual immersion charter school, a continuation high school, an alternative education program, and an adult education program. The District has K-12 enrollment of approximately 4,900 students. As of July 1, 2005, the District had approximately 373 full-time equivalent positions (FTE), including 226 certificated (credentialed teaching) FTE, 129 classified (non-teaching) FTE, and 18 management positions. The District has budgeted general fund expenditures of approximately \$36.7 million in Fiscal Year 2005-06. Total assessed valuation of taxable property in the District in Fiscal Year 2005-06 is approximately \$3.2 billion. The District operates under the jurisdiction of the Sonoma County Superintendent of Schools.

The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term, and elections are held every two years. The management and policies of the District are administered by the Superintendent, who is appointed by the Board and responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Steven D. Herrington, Ph.D., was selected as superintendent in June 2004 after 10 years of service as Superintendent for the Live Oak School District in Santa Cruz County. Dr. Herrington has over 34 years of experience in education, including 21 years as school superintendent.

For more complete information concerning the District, including certain financial information, see "DISTRICT FINANCIAL AND DEMOGRAPHIC INFORMATION" and following sections. Excerpts from the District's 2004-05 Audited Financial Statements are attached hereto as APPENDIX C.

#### The Certificates

The proceeds of the Certificates will be used to (i) acquire, construct, improve, renovate, modernize, furnish and equip certain capital improvements to public school facilities for the benefit of the District; (ii) to defease and prepay all or a portion of the District's outstanding Certificates of Participation (1998 Capital Projects), originally issued in the aggregate principal amount of \$6,150,000; (iii) to purchase a surety bond policy for the deposit into the Certificate Reserve Fund; and (iv) to pay costs in connection with execution and delivery of the Certificates. See "THE PROJECT" and "PLAN OF REFUNDING" herein.

The Certificates evidence and represent the fractional undivided interests of the registered owners (the "Owners") thereof in Base Rental Payments (defined herein) to be made by the District as rent for the sites and facilities to be leased by the District under that certain Facilities Sublease dated as of May 1, 2006, between the District, as lessee, and the Windsor Unified School District Facilities Corporation, a California nonprofit public benefit corporation (the "Corporation"), as lessor. Prior to entering into the Facilities Sublease, the District will lease said sites and facilities to the Corporation pursuant to a Facilities Lease dated as of May 1, 2006 (the "Facilities Lease"). Such sites leased by the District to the Corporation under the Facilities Lease and subleased by the Corporation to the District under the Facilities Sublease are herein referred to as the "Demised Premises", and together with the facilities located thereon, and all real property hereafter leased by the District to the Corporation under the Facilities Lease and subleased by the Corporation to the District under the Facilities Sublease, are herein referred to as the "Facility". See "THE DEMISED PREMISES AND THE FACILITY" herein.

#### Security and Sources of Payment for the Certificates

The Certificates are being executed and delivered pursuant to a Trust Agreement dated as of May 1, 2006 (the "Trust Agreement"), by and among the District, the Corporation and U.S. Bank National Association, St. Paul, Minnesota, as trustee (the "Trustee"). Pursuant to the Assignment Agreement dated as of May 1, 2006 (the "Assignment Agreement"), with respect to the Facilities Sublease, the Corporation has assigned to the Trustee, for the benefit of the Owners, substantially all of its rights under the Facilities Sublease and the Facilities Lease, including its right to receive and collect base rental payments (the "Base Rental Payments") from the District under the Facilities Sublease and its right, as may be necessary, to enforce payment of Base Rental Payments.

The District covenants under the Facilities Sublease that as long as the sites and facilities subject to the Facilities Sublease are available for the District's use and occupancy, it will take such action as may be necessary to include all Base Rental Payments for such properties in its annual budgets and to make the necessary annual appropriations therefor.

Timely payment of principal and interest with respect to the Certificates when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation coincident with the delivery of the Certificates.



## THE CERTIFICATES

### General

The Certificates will be executed and delivered in an aggregate principal amount of \$7,445,000, will be dated as of their date of delivery, and will evidence fractional undivided interests of the Owners thereof in the Base Rental Payments from the date of the Certificates to their respective final Certificate Payment Dates or prior prepayment dates, in the principal amounts and bearing interest at the rates set forth on the inside cover page of this Official Statement.

### Form and Registration

The Certificates will be executed and delivered in fully registered form only, without coupons, in denominations of \$5,000 principal amount or integral multiples thereof. The Certificates will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Certificates. Purchases of Certificates under the DTC system must be made by or through a DTC participant, and ownership interests in Certificates will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Certificates, beneficial owners will not receive physical certificates representing their ownership interests. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

### Payment

Interest represented by the Certificates will be payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2007, until final payment on each Certificate, and will be calculated based on a 360-day year of twelve 30-day months. Each Certificate shall evidence and represent interest from the Interest Payment Date next preceding the date of execution of that Certificate by the Trustee, unless such date of execution is a day during the period from and including the 16th day of the month next preceding any Interest Payment Date to and including such Interest Payment Date, in which case the Certificate shall evidence and represent interest from such Interest Payment Date, or unless such date of execution is on or before January 15, 2007, in which case the Certificate shall evidence and represent interest from the date of delivery thereof. The interest represented by the Certificates will be payable to the person whose name appears on the Certificate registration books of the Trustee as the Owner thereof as of the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day, and will be paid by check mailed on each Interest Payment Date by first class mail to the Owner at the address appearing on the Certificate registration books. Upon the written request of the Owner of at least \$1,000,000 in principal amount of Certificates, submitted to the Trustee on or before the 15th day of the month preceding any Interest Payment Date, interest with respect to such Certificates shall be paid by wire transfer in immediately available funds to an account designated by such Owner in writing. So long as the DTC book entry system is used for the Certificates, interest shall be paid to DTC in funds immediately available on the date due.

The principal evidenced and represented by the Certificates shall be payable on August 1 of each year shown on the inside cover hereof. The principal shall be payable on each Certificate Payment Date or upon prior prepayment by check denominated in lawful money of the United States of America upon surrender of the Certificates at the principal corporate trust office of the Trustee in St. Paul, Minnesota.

### Prepayment Provisions

Prepayment from Proceeds Related to Loss of the Facility. The Certificates are subject to prepayment on any date prior to their respective Certificate Payment Dates, as a whole or in part, so that the aggregate annual amounts of principal represented by the Certificates which shall be payable after such prepayment date shall correspond to the principal component of the reduced Base Rental resulting from a casualty loss or governmental taking of the Facility or portions thereof, or defect in title thereto, from prepaid Base Rental Payments made by the District from funds received by the District due to such casualty loss or governmental taking or defect in title, if in the judgment of the District such amounts are not to be used to repair or replace the Facility as further described in the Facilities Sublease, under the circumstances and upon the conditions and terms prescribed in the Trust Agreement and in the Facilities Sublease. Certificates selected for prepayment pursuant to this paragraph shall be prepaid at a prepayment price equal to the sum of the principal amount represented thereby plus accrued interest represented thereby to the date fixed for prepayment,

without premium. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—Property Insurance."

Optional Prepayment from Reimbursements related to the Project. The Certificates are subject to prepayment on any date prior to their respective Certificate Payment Dates, at the option of the District, as a whole or in part, in inverse order of Certificate Payment Dates, from funds received by the District as proceeds of insurance or other State or federal grant funds provided to reimburse the District for costs of the Project, under the circumstances and upon the conditions and terms prescribed in the Trust Agreement and in the Facilities Sublease, at a prepayment price equal to the sum of the principal amount represented thereby plus accrued interest represented thereby to the date fixed for prepayment, without premium.

Optional Prepayment from Proceeds of General Obligation Bonds. The Certificates payable on or after August 1, 2009, shall also be subject to prepayment on any date on or after August 1, 2008, at the option of the District, as a whole or in part, in inverse order of Certificate Payment Dates, from proceeds of general obligation bonds issued by the District, at a prepayment price equal to the principal amount thereof, plus accrued interest represented thereby to the date fixed for prepayment, without premium. The District does not currently have any general obligation bond proceeds nor any unused authorization to issue such bonds. General obligation bonds would have to be approved by the voters of the District, and as of the date of this printing, the District has not called an election at which such bonds could be approved.

Optional Prepayment from any other Source of Funds. The Certificates payable on or after August 1, 2016, shall also be subject to prepayment on any date on or after August 1, 2015, at the option of the District, as a whole or in part, in inverse order of Certificate Payment Dates, from any source of available funds, at the following prepayment prices (expressed as a percentage of the principal amount of the Certificates called for prepayment), plus accrued interest represented thereby to the date fixed for prepayment:

<u>Prepayment Date</u>	<u>Optional Prepayment Price</u>
August 1, 2015 through July 31, 2016	102%
August 1, 2016 through July 31, 2017	101%
August 1, 2017 and thereafter	100%

Mandatory Scheduled (Sinking Fund) Prepayment. The Certificates payable on August 1, 2020 (the "2020 Term Certificates") are subject to mandatory prepayment in the amounts and on each Certificate Payment Date shown in the table below, from moneys deposited in the Prepayment Fund as scheduled Base Rental Payments, under the circumstances and upon the conditions and terms prescribed in the Trust Agreement and in the Facilities Sublease. The prepayment price will be equal to 100% of each principal payment due, without premium, plus accrued interest to the date of prepayment:

<u>2020 Term Certificates</u>	
<u>Mandatory Sinking Fund Payment Date (August 1)</u>	<u>Amount</u>
2019	\$210,000
2020 <sup>†</sup>	220,000

-----  
<sup>†</sup> Final maturity.

The Certificates payable on August 1, 2022 (the "2022 Term Certificates") are subject to mandatory prepayment in the amounts and on each Certificate Payment Date shown in the table below, from moneys deposited in the Prepayment Fund as scheduled Base Rental Payments, under the circumstances and upon the conditions and terms prescribed in the Trust Agreement and in the Facilities Sublease. The prepayment price will be equal to 100% of each principal payment due, without premium, plus accrued interest to the date of prepayment:

2022 Term Certificates

<u>Mandatory Sinking Fund Payment Date (August 1)</u>	<u>Amount</u>
2021	\$230,000
2022 <sup>†</sup>	235,000

-----  
<sup>†</sup> Final maturity.

The Certificates payable on August 1, 2029 (the “2029 Term Certificates”) are subject to mandatory prepayment in the amounts and on each Certificate Payment Date shown in the table below, from moneys deposited in the Prepayment Fund as scheduled Base Rental Payments, under the circumstances and upon the conditions and terms prescribed in the Trust Agreement and in the Facilities Sublease. The prepayment price will be equal to 100% of each principal payment due, without premium, plus accrued interest to the date of prepayment:

2029 Term Certificates

<u>Mandatory Sinking Fund Payment Date (August 1)</u>	<u>Amount</u>
2023	\$245,000
2024	260,000
2025	270,000
2026	280,000
2027	290,000
2028	305,000
2029 <sup>†</sup>	315,000

-----  
<sup>†</sup> Final maturity.

The Certificates payable on August 1, 2035 (the “2035 Term Certificates”) are subject to mandatory prepayment in the amounts and on each Certificate Payment Date shown in the table below, from moneys deposited in the Prepayment Fund as scheduled Base Rental Payments, under the circumstances and upon the conditions and terms prescribed in the Trust Agreement and in the Facilities Sublease. The prepayment price will be equal to 100% of each principal payment due, without premium, plus accrued interest to the date of prepayment:

2035 Term Certificates

<u>Mandatory Sinking Fund Payment Date (August 1)</u>	<u>Amount</u>
2030	\$330,000
2032	345,000
2032	360,000
2033	375,000
2034	390,000
2035 <sup>†</sup>	410,000

-----  
<sup>†</sup> Final maturity.

**Selection of Certificates for Prepayment.** Whenever less than all of the Outstanding Certificates payable on any one Certificate Payment Date are to be prepaid on any one date, the Trustee shall select the Certificates of such Certificate Payment Date to be prepaid from the Outstanding Certificates payable on such Certificate Payment Date by lot in any manner that the Trustee deems fair, and the Trustee shall promptly notify the District in writing of the numbers of the Certificates so selected for prepayment on such date. For purposes of such selection, Certificates shall be deemed to be composed of \$5,000 portions, and any such portion may be separately prepaid.

**Notice of Prepayment.** Notice of prepayment shall be mailed, first class postage prepaid, to the respective Owners of any Certificates designated for prepayment at their addresses appearing on the books required to be kept by the Trustee, not less than 30 nor more than 60 days prior to the prepayment date. Each notice of prepayment shall state the prepayment date, the prepayment place and the prepayment price, shall designate the serial numbers of the Certificates to be prepaid (unless all of the outstanding Certificates or all of the outstanding Certificates of any one Certificate Payment Date are to be prepaid) by giving the individual number of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment, and shall require that such Certificates be then surrendered for prepayment; and shall also state that the interest represented by the Certificates designated for prepayment shall cease to accrue from and after such prepayment date and that on such prepayment date there will become due and payable on each of the Certificates designated for prepayment the prepayment price represented thereby. Such notice shall, in addition to setting forth the above information, in the case of each Certificate called for prepayment in part only, state the principal amount represented thereby which is to be prepaid. Any notice so mailed shall be conclusively presumed to have been given, whether or not the Owner receives the notice.

At least 30 days before each prepayment date, the Trustee shall also give notice of prepayment containing the aforementioned information by (i) registered or certified mail, postage prepaid, (ii) facsimile transmission, receipt of which shall be confirmed by telephone or otherwise, (iii) overnight delivery service, or (iv) other means approved by the Trustee, to each of the Securities Depositories at their respective addresses (or at such other addresses and/or to such other securities depositories as may be designated in a Written Request of the District), and by first class mail or other means approved by the Trustee to each of the Information Services at their respective addresses (or at such other address and/or to such other national information services as may be designated in a Written Request of the District).

The Trustee shall give notice of prepayment of any Certificates to be prepaid upon receipt of a Written Request of the District (which request shall be given to the Trustee at least 45 days prior to the date fixed for prepayment).

**Effect of Prepayment.** If notice of prepayment has been duly given and moneys sufficient for the payment of the prepayment price of the Certificates to be prepaid are on deposit in the Prepayment Fund, then on the prepayment date designated in such notice, the Certificates so called for prepayment shall become payable at the prepayment price specified in such notice; and from and after the date so designated, interest represented by the Certificates so called for prepayment shall cease to accrue, such Certificates shall cease to be entitled to any benefit or security of the Trust Agreement, and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the prepayment price represented thereby. The Trustee shall, upon surrender for payment of any of the Certificates to be prepaid, pay such Certificates at the prepayment price thereof.

**Rescission of Notice of Prepayment.** The District may rescind any notice of prepayment for any reason on any date prior to the date fixed for prepayment by causing written notice of the rescission to be given to the Owners of the Certificates so called for prepayment. Any prepayment and notice thereof shall be rescinded if for any reason on the date fixed for prepayment funds are not available for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Certificates called for prepayment. Notice of rescission of prepayment shall be given in the same manner in which notice of prepayment was originally given. The actual receipt by the Owner of any Certificate 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.** Any Outstanding Certificates shall be deemed to have been paid within the meaning of and with the effect expressed in the Trust Agreement if there shall be irrevocably deposited with the Trustee Defeasance Securities in an amount sufficient (together with the increment, earnings and interest on such securities), in the opinion of an independent certified public accountant, to pay the interest and principal and premium, if any, represented by such Certificates payable on their Payment Dates or on any dates of prepayment prior thereto, except that the Owners thereof shall be entitled to the principal, premium and interest represented by such Certificates, and the District shall remain

liable for such Base Rental Payments, but only out of such moneys or securities deposited with the Trustee as aforesaid for such payment.

### CERTIFICATE PAYMENT SCHEDULE

The following is the payment schedule for the Certificates (assuming no prepayment of Base Rental Payments).

Period Ending August 1	Principal Component	Interest Component	Total Annual Payment
2007	\$95,000.00	\$353,109.24	\$448,109.24
2008	140,000.00	308,532.50	448,532.50
2009	145,000.00	302,932.50	447,932.50
2010	150,000.00	297,495.00	447,495.00
2011	155,000.00	291,870.00	446,870.00
2012	160,000.00	286,057.50	446,057.50
2013	165,000.00	280,057.50	445,057.50
2014	175,000.00	273,705.00	448,705.00
2015	180,000.00	265,880.00	446,880.00
2016	185,000.00	259,680.00	444,680.00
2017	195,000.00	252,280.00	447,280.00
2018	200,000.00	244,480.00	444,480.00
2019	210,000.00	236,280.00	446,280.00
2020	220,000.00	227,617.50	447,617.50
2021	230,000.00	218,542.50	448,542.50
2022	235,000.00	208,882.50	443,882.50
2023	245,000.00	199,012.50	444,012.50
2024	260,000.00	188,600.00	448,600.00
2025	270,000.00	177,550.00	447,550.00
2026	280,000.00	166,075.00	446,075.00
2027	290,000.00	154,175.00	444,175.00
2028	305,000.00	141,850.00	446,850.00
2029	315,000.00	128,887.50	443,887.50
2030	330,000.00	115,500.00	445,500.00
2031	345,000.00	101,062.50	446,062.50
2032	360,000.00	85,968.76	445,968.76
2033	375,000.00	70,218.76	445,218.76
2034	390,000.00	53,812.50	443,812.50
2035	410,000.00	36,750.00	446,750.00
2036	430,000.00	18,812.50	448,812.50
TOTAL	\$7,445,000.00	\$5,946,676.76	\$13,391,676.76

Under the Facilities Sublease, the District agrees to pay additional rental (“Additional Payments”) for the payment of all fees, costs and expenses and all administrative costs of the Corporation related to the Facility, including expenses of the Trustee and fees of attorneys and other consultants. A Trust Administration Fund has been established under the Trust Agreement for the payment of all administrative costs of the Corporation.

### SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

#### General

Each Certificate evidences and represents a fractional undivided interest in the Base Rental Payments to be made by the District to the Trustee under the Facilities Sublease. The District has covenanted in the Facilities Sublease

to include all Base Rental Payments in its annual budgets. The Corporation, pursuant to the Assignment Agreement, has assigned all of its rights to receive Base Rental Payments, and its right to enforce payment, to the Trustee, who will receive such Base Rental Payments for the benefit of the Certificate Owners. By the 15th day of the month immediately preceding each semi-annual Interest Payment Date, the District must pay to the Trustee Base Rental Payments (to the extent required under the Facilities Sublease) which will be sufficient to pay the principal and interest represented by the Certificates due on such Interest Payment Date.

Timely payment of principal and interest with respect to the Certificates when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation coincident with the delivery of the Certificates. See "CERTIFICATE INSURANCE AND RESERVE SURETY" below.

Except to the extent of amounts held by the Trustee in the Base Rental Payment Fund or in the Certificate Reserve Fund or otherwise available to the Trustee for payments in respect of the Certificates, during any period in which, by reason of material damage, destruction, title defect or condemnation there is substantial interference with the use and possession by the District of any portion of the Facility, the Base Rental Payments will be abated to the extent that the annual fair rental value of the portion of the Facility in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Rental, in which case rental payments shall be abated only by an amount equal to the difference. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Facility so damaged, destroyed, defective or condemned. See "CERTAIN RISK FACTORS – Abatement."

Should the District default under the Facilities Sublease, the Trustee, as assignee of the Corporation under the Facilities Sublease, may terminate the Facilities Sublease, or may retain the Facilities Sublease and hold the District liable for all Base Rental Payments thereunder on an annual basis. See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – CERTAIN PROVISIONS OF THE FACILITIES SUBLEASE – Default; Remedies." Base Rental Payments may not be accelerated upon a default under the Facilities Sublease. See "CERTAIN RISK FACTORS – Limited Recourse on Default."

#### Base Rental Payments

Base Rental Payments are calculated on an annual basis for the twelve-month periods commencing on August 1 and ending on July 31 (except the first period, commencing on June 14, 2006 and ending on July 31, 2007), and each annual Base Rental Payment is divided into two interest components, payable on each February 1 and August 1, and one principal component, payable on each August 1. Each Base Rental Payment installment will be payable on the 15th day of the month immediately preceding its due date and any interest or other income with respect thereto accruing prior to such due date will belong to the District and will be returned by the Trustee to the District on February 1 and August 1 of each year. Each annual Base Rental Payment (to be payable in two installments as aforesaid) will be for the use of the Facility for the twelve-month period commencing on August 1 of the period in which such installments are due.

The Trust Agreement requires that Base Rental Payments be deposited in the Base Rental Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, on February 1 and August 1 of each year, the Trustee will transfer such amounts as are necessary to the Interest Fund, the Principal Fund or the Prepayment Fund, as the case may be, to make principal and interest payments with respect to the Certificates as the same become due and payable.

THE OBLIGATION OF THE DISTRICT TO MAKE BASE RENTAL PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT, SONOMA COUNTY, THE STATE OF CALIFORNIA, OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

#### Certificate Reserve Fund

The Facilities Sublease requires the establishment of a Certificate Reserve Fund in an amount equal to the Certificate Reserve Fund Requirement. The term "Certificate Reserve Fund Requirement" means the least of (i) the maximum amount of Base Rental Payments to be made by the District pursuant to the Facilities Sublease during any twelve-month period ending on July 31, (ii) 125% of the average annual Base Rental Payments, and (iii) 10% of the

principal amount of the Certificates. As of the date of delivery of the Certificates, the Certificate Reserve Fund Requirement is \$448,812.50.

The Facilities Sublease also provides that all or a part of the Certificate Reserve Fund Requirement may be provided for by a policy of insurance issued by a municipal bond insurance company, obligations insured by which have a rating by Moody's Investors Service and by Standard and Poor's which is the highest rating then issued by said rating agencies or by a letter of credit issued by a bank that meets the qualifications set forth in the Facilities Sublease. See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – CERTAIN PROVISIONS OF THE FACILITIES SUBLEASE – Certificate Reserve Fund". The District has elected to meet the initial Certificate Reserve Fund Requirement by the deposit of a surety bond to be issued by Ambac Assurance Corporation. See "CERTIFICATE INSURANCE AND RESERVE SURETY" herein.

Amounts on deposit in the Certificate Reserve Fund shall be held for the benefit of the District, and shall be applied solely for the payment of Base Rental Payments due and payable by the District if and when rental shall be abated in accordance with the Facilities Sublease or when other moneys of the District are not otherwise available to make such Base Rental Payments. On any Base Rental Payment Date following payment of the Base Rental Payment then due, amounts in the Certificate Reserve Fund in excess of the Certificate Reserve Fund Requirement (and not directed by the District to be applied to future Base Rental Payments) shall be transferred to the District, unless the Trustee is directed by the District to deposit any portion of such excess to the Trust Administration Fund.

#### Property Insurance

The Facilities Sublease requires the District to cause to be maintained, throughout the term of the Facilities Sublease, insurance against loss or damage to any structures constituting any part of the Facility by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance, sprinkler system leakage insurance and earthquake insurance (but only if earthquake insurance is available at reasonable cost on the open market from reputable insurance companies), except that the District need not obtain earthquake insurance on any portion of the Facility the design and construction of which comply with the provisions of the Field Act (codified at California Education Code Section 17280 and following). Such extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance will be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Facility, excluding the cost of excavations, of grading and filling, and of the land (except that such earthquake insurance may be subject to a deductible clause of not to exceed ten percent of said replacement cost for any one loss and except that such other insurance may be subject to deductible clauses for any one loss of not to exceed \$100,000), or in the alternative, will be in an amount and in a form sufficient (together with moneys in the Certificate Reserve Fund), in the event of total or partial loss, to enable all Certificates then Outstanding to be prepaid. The District maintains basic property insurance through the Redwood Empire Schools Insurance Group (RESIG), a joint powers authority which provides property and liability coverage to approximately 45 school district members. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Joint Powers Agreements for Insurance".

As an alternative to providing the casualty insurance described above, or any portion thereof, the District may provide a self-insurance method or plan of protection approved in writing by the Certificate Insurer, if and to the extent such self-insurance method or plan of protection affords reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the District. Before such other method or plan may be provided by the District, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Facilities Sublease, there will be filed with the Trustee and the Certificate Insurer a certificate of an actuary, independent insurance consultant or other qualified person, stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facilities Sublease and, when effective, would afford reasonable coverage for the risks required to be insured against. There will also be filed with the Trustee and the Certificate Insurer a certificate of the District setting forth the details of such substitute method or plan. In the event of loss covered by any such self-insurance method, the liability of the District under the Facilities Sublease will be limited to the amounts in the self-insurance reserve fund or funds created under such method. The District is not planning to self-insure at this time, although it may elect to do so in the future.

In the event of any damage to or destruction of any part of the Facility caused by the perils covered by such insurance, the Trustee, upon direction of the District, except as hereinafter described, will cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facility to at least the same condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee will hold such proceeds in the Insurance and Condemnation Fund and will permit withdrawals upon written request of the District together with presentation of proper invoices for such purposes. Any balance of said proceeds not required for such repair, reconstruction or replacement will be treated by the Trustee as Base Rental Payments and applied in the manner provided by the Trust Agreement. Alternatively, the District, at its option, with the written consent of the Certificate Insurer and the Trustee, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay an aggregate principal amount represented by Outstanding Certificates equal to the amount of Outstanding Certificates attributable to the portion of the Facility so destroyed or damaged (determined by reference to the proportion which the initial cost of such portion of the Facility bears to the initial cost of the Facility), may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facility and thereupon will cause said proceeds to be used for the prepayment of Outstanding Certificates pursuant to the provisions of the Trust Agreement. The District shall have 45 days from the date of deposit of such proceeds to determine whether such proceeds will be utilized to repair, reconstruct or replace the Facilities or to prepay Outstanding Certificates.

The District covenants to promptly apply for federal disaster aid or State disaster aid in the event that any portion of the Facility is damaged or destroyed as a result of an earthquake occurring at any time. Any proceeds received as a result of such disaster aid will be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Facility, or, at the option of the District, to prepay Outstanding Certificates if such use of such disaster aid is permitted. The District shall have 45 days from the date of deposit of such disaster aid to determine whether such proceeds will be utilized to repair, reconstruct or replace the Facilities or to prepay Outstanding Certificates.

The Facilities Sublease requires the District to cause to be maintained, throughout the term of the Facilities Sublease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Facility as the result of any of the hazards covered by the fire and extended coverage and earthquake insurance required by the Facilities Sublease described in the preceding paragraphs, in an amount sufficient to pay the part of the total rent attributable to the portion of the Facility rendered unusable (determined by reference to the proportion which the construction cost of such portion bears to the construction cost of the Facility) for a period of at least 24 months, except that such insurance need be maintained as to the peril of earthquake only if such insurance is available at reasonable cost on the open market from reputable insurance companies, and further except that the District need not obtain earthquake insurance on any portion of the Facility the design and construction of which comply with the provisions of the Field Act. Any proceeds of such insurance shall be used by the Trustee to reimburse to the District any rental theretofore paid by the District under the Facilities Sublease attributable to such portion of the Facility for a period of time during which the payment of rental under the Facilities Sublease is abated, and any proceeds of such insurance not so used shall be applied to pay Base Rental Payments and Additional Payments.

The District is also required to obtain certain liability insurance coverage in protection of the Corporation and the Trustee as described under APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS - CERTAIN PROVISIONS OF THE FACILITIES SUBLEASE."

The District is required under the Facilities Sublease to obtain title insurance in the form of a California Land Title Association ("CLTA") Owner's Policy title policy or policies, in an aggregate amount equal to the aggregate principal component of unpaid Base Rental Payments, subject only to Permitted Encumbrances, insuring the District and the Trustee, as assignee of the Corporation, as to the District's leasehold estate in the Demised Premises and the Facility.



Timely payment of principal and interest with respect to the Certificates will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance coincident with the delivery of the Certificates. Reference is made to APPENDIX G for a specimen of the Ambac Assurance policy. The information in the following sections and in APPENDIX G was provided by Ambac for use in securities disclosure documents. The District makes no representations regarding the accuracy or completeness thereof.

## CERTIFICATE INSURANCE AND RESERVE SURETY

### Payment Pursuant to the Policy

Ambac Assurance Corporation (“Ambac Assurance”) has made a commitment to issue a financial guaranty insurance policy (the “Financial Guaranty Insurance Policy”) relating to the Certificates effective as of the date of issuance of the Certificates. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal of and interest on the Certificates which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Certificates and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Certificates become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Certificates, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Certificates on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Certificates, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Certificate which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of the Certificates to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Certificates to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder’s right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Certificates, appurtenant coupon, if any, or right to payment of principal or interest on such Certificates and will be fully subrogated to the surrendering Holder’s rights to payment.

In the event that Ambac Assurance were to become insolvent, any claims arising under this Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

#### Reserve Surety

The Facilities Sublease authorizes the District to obtain a surety bond in place of fully funding the Certificate Reserve Fund. Accordingly, application has been made to Ambac Assurance for the issuance of a surety bond for the purpose of funding the Certificate Reserve Fund. The Certificates will only be delivered upon the issuance of such surety bond. The premium on the surety bond is to be fully paid at or prior to the issuance and delivery of the Certificates. The surety bond provides that upon the later of (i) one day after receipt by Ambac Assurance of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Certificates when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the Certificates, but in no event exceeding the surety bond Coverage, as defined in the surety bond.

Pursuant to the terms of the surety bond, the surety bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the surety bond and the Obligor is required to reimburse Ambac Assurance for any draws under the surety bond with interest at a market rate. Upon such reimbursement, the surety bond is reinstated to the extent of each principal reimbursement up to but not exceeding the surety bond Coverage. The reimbursement obligation of the District is subordinate to the District's obligations with respect to the Certificates.

In the event the amount on deposit in, or credited to, the Certificate Reserve Fund exceeds the amount of the surety bond, any draw on the surety bond shall be made only after all the funds in the Certificate Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Certificate Reserve Fund, in addition to the amount available under the surety bond, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the "Additional Funding Instrument"), draws on the surety bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Facilities Sublease provides that the Certificate Reserve Fund shall be replenished in the following priority: (i) principal and interest on the surety bond and on the Additional Funding Instrument shall be paid from first available Revenues on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the Certificate Reserve Fund to the required level, after taking into account the amounts available under the surety bond and the Additional Funding Instrument, shall be deposited from next available Revenues.

The surety bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee. In the event that Ambac Assurance were to become insolvent, any claims arising under this surety bond would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

#### Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$9,417,000,000 (unaudited) and statutory capital of \$5,879,000,000 (unaudited) as of March 31, 2006. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Certificates.

Ambac Assurance makes no representation regarding the Certificates or the advisability of investing in the Certificates and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the headings "CERTIFICATE INSURANCE AND RESERVE SURETY" and "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Certificate Reserve Fund".

#### Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668 0340.

#### Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006;
2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006; and
3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2006 and filed on May 10, 2006.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

#### CERTAIN RISK FACTORS

The following section describes certain risk factors affecting the payment of and security for the Certificates. The following discussion of possible risks is not meant to be an exhaustive list of the risks associated with the purchase of the Certificates and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the Certificates. There can be no assurance that other risk factors will not become material in the future.

#### General Considerations – Security for the Certificates

The obligation of the District to make Base Rental Payments is a special obligation of the District, and does not constitute a debt of the District, Sonoma County, the State of California, or any of their respective political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The obligation of the District to make Base Rental Payments is in consideration of the right of the District to the continued use and occupancy of the Facility. In the event of substantial interference with the District's use and

occupancy, the obligation of the District may be abated in whole or in part as described herein. See "Abatement" below.

Although the Facilities Sublease does not create a pledge, lien or encumbrance upon the funds of the District, the District has covenanted in the Facilities Sublease that, for so long as the Facility is available for the District's use, it will make the necessary annual appropriations within its budget for its Base Rental Payments. The District is currently liable and may become further liable in the future on other obligations payable from general revenues, some of which may have a priority over the Base Rental Payments. To the extent that additional obligations are incurred by the District, or aggregate District revenue limit income from State aid and local property taxes is reduced, the funds available to make Base Rental Payments will be decreased.

In this connection, investors are directed to the discussion of District general operating finances and of the District's dependence on State funding of education. See "DISTRICT FINANCIAL AND DEMOGRAPHIC INFORMATION" herein and "- State Funding of Education" thereunder.

#### State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. However, by statute, California school districts have priority to use the State's appropriations limit, if needed to be able to spend district revenues. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

#### Abatement

The Base Rental Payments due under the Facilities Sublease shall be abated proportionately during any period in which by reason of material damage, destruction, title defect or condemnation, there is substantial interference with the use and possession by the District of any portion of the Facility. In the event of abatement of rental payments, the rent shall be abated to the extent that the annual fair rental value of the portion of the Facility in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Rental, in which case rental payments shall be abated only by an amount equal to the difference. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and end with the substantial completion of the work of repair or replacement of the portion of the Facilities so damaged, destroyed, defective or condemned. In the event of abatement, the term of the Lease may be extended until all amounts due under the Facilities Sublease and the Trust Agreement are fully paid, but in no event later than August 1, 2045.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Facility is substantially higher or lower than its value at the time of execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

If damage, destruction, title defect or eminent domain proceedings with respect to the Facility results in abatement of the Base Rental Payments related to such Facility and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), eminent domain proceeds, if any, and moneys available in the Reserve Fund, are insufficient to make all payments of principal and interest with respect to the Certificates during the period that the Facility is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Facilities Sublease and the Trust Agreement, no remedy is available to the Owners of the Certificates for nonpayment under such circumstances.

The obligation of the District to make Base Rental Payments may be abated if the Demised Premises or any improvements thereon are damaged or destroyed by natural hazard such as earthquake or flood. The District is obligated under the Facilities Sublease to procure and maintain, or cause to be maintained, earthquake insurance on the Facility, but only under certain conditions specified in the Facilities Sublease, including if such insurance is available at reasonable cost on the open market from reputable insurance companies. The District does not expect to be able to

procure such insurance on such terms. The Facility is located in a seismically active region. Rental interruption insurance required to be maintained under the Facilities Sublease is not required to cover these hazards.

#### Limited Recourse on Default

If the District defaults on its obligations to make Base Rental Payments with respect to the Facility, the Trustee, as assignee of the Corporation, shall have the option (i) without terminating the Facilities Sublease, to collect each installment of rent as it becomes due regardless of whether or not the District has abandoned the Facility, or to exercise any and all rights of re-entry upon and to relet the Facility, or (ii) to terminate the Facilities Sublease and relet the Facility and recover damages recoverable at law. The District shall remain liable, if the Facility is not re-let, to pay the full amount of the rent to the end of the term of the Facilities Sublease or, in the event that the Facility is re-let, to pay any deficiency in rent that results therefrom. In the event of a default, there is no available remedy of acceleration of Base Rental Payments which have not become due and payable under the Facilities Sublease. The District will only be liable for rental payments on an annual basis, and the Trustee may be required to seek a separate judgment in each year for that year's defaulted Base Rental Payments. In the event that the Trustee elects to terminate the Facilities Sublease, the Facility may be re-let for the remaining term of the Facilities Sublease.

It is uncertain what remedies will be practically available to the Trustee in the event of a default, and the enforcement of any remedies may prove both expensive and time-consuming. Due to the specialized nature of the Facility, no assurance can be given that the Trustee will be able to re-let the Facility so as to provide rental income sufficient to make principal and interest payments with respect to the Certificates in a timely manner, and the Trustee is not empowered to sell the Facility for the benefit of the Owners of the Certificates. Due to the governmental function of the Facility, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect thereto. Any suit for money damages would be subject to limitations on legal remedies against school districts in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

See APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – CERTAIN PROVISIONS OF THE FACILITIES SUBLEASE – Default; Remedies.”

#### No Liability of Corporation to Owners

Except as expressly provided in the Trust Agreement, the Corporation shall not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the District of other agreements and covenants required to be performed by it contained in the Facilities Sublease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

#### Bankruptcy

In addition to the limitations on remedies contained in the Facilities Sublease and the Trust Agreement, the rights and remedies provided in the Trust Agreement and the Facilities Sublease may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the District becomes a debtor in bankruptcy and the District fails to make its Lease Payments or if payments by the District are stayed or otherwise cannot be applied by the Trustee in accordance with the provisions of the Trust Agreement, the beneficial owners of the Certificates could suffer a delay in payment or a loss. If the Corporation becomes a debtor in bankruptcy, the provisions of the Assignment Agreement may be challenged, potentially resulting in a delay in payment or a financial loss to the beneficial owners of the Certificates. The Trustee and the beneficial owners of the Certificates may be prohibited from enforcing any remedies under the transaction documents. The Trustee or the beneficial owners could also be required to disgorge, as preferential transfers or fraudulent transfers, payments previously received. Other circumstances could occur in a bankruptcy of the District or the Corporation that would cause the beneficial owners of the Certificates to suffer a delay in payment or a loss. In addition, actions could be taken in a bankruptcy of the District or the Corporation

that would adversely affect the exclusion of interest with respect to the Certificates from gross income for federal income tax purposes.

Regardless of any specific adverse determinations in a bankruptcy of the District or the Corporation, the fact of such a bankruptcy could have an adverse effect on the liquidity and market value of the Certificates.

#### Tax Exemption of the Certificates

In the event the District or other users of the Facility fail to comply with the tax covenants set forth in the financing documents, the interest component of the Certificates may be includable in the gross income of the Owners thereof for federal income tax purposes. If any portion of the Facility is re-let to a non-governmental entity, no assurance can be given that upon such reletting the interest portion of the Base Rental Payments paid with respect to the Certificates will continue to be excludable from gross income for federal income tax purposes. See "TAX MATTERS."

#### Self-Insurance

Pursuant to and under the circumstances described in the Facilities Sublease, the District is permitted to self-insure for fire and extended coverage, and liability insurance. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Property Insurance." However, no assurance can be given that such self-insurance at the time of any casualty or loss will be adequate to cover any claims that might arise.

### THE DEMISED PREMISES AND THE FACILITY

The Demised Premises include all of the property leased by the District to the Corporation under the Facilities Lease, and the Facility includes the Demised Premises and all structures and improvements now or hereafter located thereon. These consist of the real property and improvements constituting Windsor Creek Elementary School, located at 8895 Conde Lane, Windsor, which serves a student population of approximately 443 in grades K-6. Construction of Windsor Creek Elementary School was completed in 1952, and renovations to the permanent buildings at the site were completed in 2006. In addition, a multi-purpose facility was constructed in 1986. The Windsor Creek Elementary School campus includes 21 permanent classrooms, a library and administration building, a multi-purpose room, 12 portable or modular classrooms, and related facilities, located on a site of approximately 11.88 acres. The District estimates the fair market value of Windsor Creek Elementary School as \$8.25 million, based on the cost to the District of more recent land acquisitions and the insured value of the permanent structures on the campus.

### THE PROJECT

The proceeds of the Certificates are authorized to be used to acquire, construct, improve, renovate, modernize, furnish and equip certain capital improvements to public school facilities for the benefit of the District. Specifically, the District plans to use the net proceeds of the Certificates (amounts not used to pay costs of issuance or applied to fund the Escrow Fund for the 1998 Certificates; see below, PLAN OF REFUNDING) to repair recent flood damage to, and to modernize, furnish and equip as appropriate, the Windsor Middle School. Additionally, the District plans to perform additional facility repairs as necessary and to purchase a school bus.

The District's obligation to make Base Rental Payments does not depend upon completion or occupancy of these projects by the District.

### PLAN OF REFUNDING

Concurrently with the delivery of the Certificates, a portion of the proceeds thereof, will be irrevocably deposited into the Escrow Fund created pursuant to the Escrow Agreement (the "Escrow Agreement") by and between the District and U.S. Bank National Association as successor trustee with respect to the 1998 Certificates. The moneys deposited pursuant to the Escrow Agreement will be applied to the purchase of direct noncallable obligations of the United States of America or noncallable obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America. An independent Certified Public Accountant, Grant

Thornton LLP, acting as Verification Agent with respect to the Escrow Fund, will certify in writing that moneys deposited and invested in the Escrow Fund, together with earnings thereon, will produce sufficient funds to (i) make periodic payments of principal and interest on the 1998 Certificates when due to and including June 1, 2008, and (ii) prepay all 1998 Certificates outstanding on June 1, 2008 at the prepayment price thereof. Upon such irrevocable deposit, the 1998 Certificates will be deemed defeased. The holders of the 1998 Certificates will be entitled to payment solely out of the moneys or securities deposited pursuant to the Escrow Agreement.

#### ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated sources and uses of the proceeds of the Certificates are as follows:

##### Sources

Par Amount of the Certificates	\$7,445,000.00
Net Original Issue Discount	(45,754.75)
1998 Capital Projects	<u>41,000.00</u>
Total	<u>\$7,440,245.25</u>

##### Uses

Escrow Fund	\$5,311,579.03
Acquisition and Construction Fund	1,786,000.00
Costs of Delivery <sup>(1)</sup>	<u>342,666.22</u>
Total	<u>\$7,440,245.25</u>

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<sup>(1)</sup> Costs of Delivery include underwriter's compensation, financial advisor fees, legal fees, trustee fees, escrow agent fees, printing costs, premium for policy of municipal bond insurance and Reserve Surety, title insurance premium, rating agency fees, verification agent fees and other miscellaneous expenses. See "MISCELLANEOUS - Underwriting" herein.

#### THE CORPORATION

The Windsor Unified School District Facilities Corporation is a nonprofit corporation, organized under the Nonprofit Public Benefit Corporation Law of the State on March 24, 1998, in order to provide financial assistance to the District by the financing, refinancing, acquiring, constructing, improving, leasing and selling public facilities and real or personal property for the benefit of the District, among other specific purposes and powers.

The Corporation functions as an independent entity and its policies are determined by a five-member Board of Directors. Corporation Directors that are members of the Board of Trustees of the District serve four-year terms, and Directors that are District staff serve as ex officio Directors of the Corporation, in each case without compensation. All staff work is done by the District staff or by consultants to the Corporation. The Corporation has no employees.

The Corporation's articles of incorporation and by-laws empower the Corporation to act as lessee under the Facilities Lease and lessor under the Facilities Sublease. The Corporation has assigned virtually all of its rights and responsibilities under the Facilities Lease and the Facilities Sublease to the Trustee, and has no financial liability to the Owners of the Certificates with respect to payment of Base Rental Payments by the District or with respect to the performance by the District of the other agreements and covenants it is required to perform.

#### DISTRICT FINANCIAL AND DEMOGRAPHIC INFORMATION

##### District Key Staff Biographies

Steven D. Herrington, Ph.D., has served as the Superintendent of the Windsor Unified School District since July 2004. He is an active member of the Windsor community, and currently serves on the Sonoma County Education Coalition, and is a member of the Sonoma County Superintendent's legislative delegation to Sacramento.

He is a graduate of Whittier College, California State University at Sacramento and James Madison University. Before accepting his current position, Dr. Herrington's teaching and administrative duties had taken him from districts in Southern California to South Lake Tahoe, the Sierra foothills, Monterey Bay, and now to the Northern California's wine country.

Throughout his educational career, Superintendent Herrington has initiated many innovative and successful programs that have received regional, state, and national recognition. Among these recognitions, four school sites (two elementary, one middle, and one high school) have received the state's prestigious "Distinguished School Award," and five District programs received California Golden Bells by the California School Boards' Association.

Mary Downey has served as the Chief Business Officer for the Windsor Unified School District since November 2004. She is responsible for the operations of the Business Office, which includes payroll, purchasing, accounts payable, accounts receivable, administrative support, and budget, and also oversees the Nutrition Services Department, Capital Projects, and Facilities, Operations, and Maintenance Department.

Ms. Downey has over twenty-five years experience working in public sector finance. She has worked for a broad range of public agencies including county planning, social services, county clerk/elections, libraries, airport, and schools. Her previous financial management roles include Finance Director for the San Francisco Public Library, Assistant Deputy Airport Director—Business, at the San Francisco International Airport, and Budget Director for San Francisco Unified School District.

Ms. Downey is a graduate of San Jose State University and received her master's degree in Public Administration at Sonoma State University.

Jeff Harding, Assistant Superintendent – Human Resources, began with the Windsor Unified School District in 1995 and served as the founding principal of Windsor High School for 9 years before taking his current position. His career spans 25 years in a wide array of roles from classroom teacher to university instructor to school administrator.

As the founding principal of Windsor High School, Mr. Harding orchestrated all aspects of school development including facility design, curriculum and instruction, and personnel hiring and training. Windsor High School has since been selected as a model high school by the Department of Education and has earned a California Distinguished School award.

Mr. Harding graduated with honors from the University of California, Berkeley and is currently completing his doctorate degree at the University of La Verne.

Alan Enomoto, Ed.D., is the Director of Educational Services for the Windsor Unified School District and has served in this capacity since November 2004. He is also on the faculty of Chapman University and is an instructor in the teacher and administrative credentialing programs.

Dr. Enomoto is a graduate of the University of Southern California, University of Nevada Las Vegas, and Brigham Young University. He has taught and was a site and district office administrator in the Clark County School District, Martinez Unified School District, Brentwood Union School District, and the Moraga School District.

#### State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund, and a local portion derived from the District's share of the 1% local ad valorem property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs. The District receives approximately 35% of its general fund revenues from State funds, budgeted at approximately \$12.6 million in Fiscal Year 2005-06. As a result, decreases in State revenues, or changes in the amount or method of State legislative appropriations made to fund education, may significantly affect District operations.

According to the State Constitution, the Governor of the State is required to propose a budget to the California Legislature no later than January 10 of each year, and a final budget must be adopted by a two-thirds vote of each house



of the Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

On May 29, 2002, the State Court of Appeal held in *White v. Davis* (also referred to as *Jarvis v. Connell*) that the State Controller cannot disburse State funds after the beginning of the fiscal year until the adoption of the budget bill or an emergency appropriation, unless the expenditure is (i) authorized by a continuing appropriation found in statute, or (ii) mandated by the Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The court specifically held that the State Constitution does not mandate or otherwise provide for appropriations for school districts without an adopted budget. Nevertheless, the Controller believes that statutory implementation of the constitutional school funding formula provides for a continuing appropriation of State funding for schools, and has indicated that payment of such amounts would continue during a budget impasse. Special and categorical funds would not be appropriated until a budget or emergency appropriation is adopted. The Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: [www.sco.ca.gov](http://www.sco.ca.gov). Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White* decision to have any long-term effect on its operating budgets.

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because funding for education is closely related to overall State income, as described in this section, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. A brief description of the adopted State budget for 2005-06 is included below; however, the District cannot predict how State income or State education funding will vary over the entire term to final payment of the Certificates, and the District takes no responsibility for informing owners of the Certificates as to any such annual fluctuations. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget". An impartial analysis of the budget is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov). The information contained in the websites referred to herein is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such references.

**Aggregate State Education Funding.** Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. For 2005-06, statewide Proposition 98 funding per pupil is budgeted at \$7,402, an increase of \$379 or 5.4% over the previous year's budget.

The guaranteed funding amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures, as the various factors change. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow. On average, about 40 percent of State general fund tax proceeds are currently spent on the State's share of Proposition 98 funding.

The Proposition 98 guaranteed amount may be suspended for one year at a time by enactment of an urgency statute. In subsequent years in which State general fund revenues are growing faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount.

If the guaranteed amount is calculated at year-end to be higher than the amount actually appropriated, the difference becomes an additional education funding obligation, referred to as "settle up." Existing settle-up obligations total approximately \$1 billion. Under current law, these will be repaid to schools and community college districts, or to the education budget at \$150 million per year beginning in 2006-07.

If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base. The State has avoided increases in the guaranteed funding base through various mechanisms: On several occasions, the State treated excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels, rather than increases in the base. In March 2003, the Legislature permanently deferred year-end apportionments of Proposition 98 funds from June 30 to July 2, to reduce the ending fiscal year's base and thus future years' guaranteed amounts.

**Recent State Budget Difficulties and Initiative Responses.** Since early 2001, structural imbalances in State revenues versus expenditures have created significant financial challenges. The three main traditional sources of State tax revenues, personal income taxes, sales and use taxes, and corporate taxes, suffered disproportionately in the most recent economic downturn, revealing inherent weakness in the State's reliance thereon. Meanwhile, large portions of the State's budget are relatively fixed, causing a perennial shortfall and an accumulated deficit in the tens of billions of dollars. Two measures intended to address the existing cumulative budget deficit and to implement structural reform were approved at the March 2, 2004 statewide primary election. The California Economic Recovery Bond Act (Proposition 57) authorized the issuance of up to \$15 billion of bonds to finance the State negative general fund reserve balance as of June 30, 2004 and other general fund obligations undertaken prior to June 30, 2004. The Balanced Budget Amendment (Proposition 58) requires the State to adopt and maintain a balanced budget and establish a reserve, and restricts future long-term deficit-related borrowing. The State has issued \$10.896 billion of the authorized bonds.

**2005-06 Governor's Budget.** The Governor signed the State 2005-06 Fiscal Year budget on July 11, 2005, although subsequent legislation may affect final budget totals. The following information relating to the funding of K-12 education is adapted from the budget summary prepared by the State Treasurer: The budget includes Proposition 98 funding for grades K-12 of approximately \$49.2 billion, or \$740,886 less than the Proposition 98 guaranteed amount. The budget provides approximately \$16.8 million in one-time funds to meet prior years' Proposition 98 settle-up obligations, which will be supplemented beginning in 2006-07 by annual payments of \$150 million per year until the estimated \$1.3 billion of such obligations is repaid. The budget provides both statutory and discretionary growth and cost-of-living adjustments to revenue limits (\$1.6 billion) and most categorical programs (\$295 million), and approximately \$194 million for special education. The budget provides approximately \$328 million in additional revenue limit funding to restore approximately half of the general purpose reduction school districts previously experienced. The budget provides an aggregate total of \$348.4 million to promote academic performance, consisting of \$228.7 million to assist low-performing schools, \$53 million to assist schools sanctioned by accountability programs, \$30 million for a school reform program, \$7.5 million in funding deferred from 2004-05 for underperforming schools, and \$29.2 million in federal Title I School Improvement Funds. In addition, in connection with the settlement of a class action lawsuit, *Williams v. State of California*, brought against the State on behalf of students in the most poorly funded schools, the 2005-06 budget provides \$183.5 million, primarily for facility improvements to the neediest schools. Future years' budgets will have to continue to address further settlement terms that call for over \$800 million in facilities improvements and additional programmatic support.

The 2006-07 budget introduced by the Governor will undergo revision by the Governor and amendment by the Legislature prior to its adoption later in 2006, and no attempt has been made to summarize the current status of such proposals herein.

**Proposition 1A.** Beginning in 1992-93, the State has satisfied a portion of its Proposition 98 obligations 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. In response to a statewide ballot initiative sponsored by affected local agencies, the Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election.

Proposition 1A is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Beginning in Fiscal Year 2008-09, the State will be able to divert up to eight percent of local property tax revenues for State purposes (including, but not limited to, funding K-12 education)

only if: (i) the Governor declares such action to be necessary due to a State fiscal emergency; (ii) two-thirds of both houses of the Legislature approve the action; (iii) the amount diverted is required by statute to be repaid within three years; (iv) the State does not owe any repayment to local agencies for past property tax or Vehicle License Fee diversions to local agencies; and (v) 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, school and college districts that receive Proposition 98 funding from the State will be more directly dependent upon the State's general fund.

Allocation of State Funding to Districts. Under Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance ("A.D.A.").

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

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the district to make adjustments in fixed operating costs.

The District's revenue limit income per A.D.A. is budgeted to be \$5,209 for 2005-06, compared to approximately \$4,998 for 2004-05. The District's recent A.D.A. history for grade kindergarten through grade twelve (K-12) is set forth in the table below:

Windsor Unified School District  
Total K-12 Second Period (P-2)  
Average Daily Attendance<sup>(1)</sup>

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>
1996-97	2,863
1997-98	3,230
1998-99	3,400
1999-00	3,676
2000-01	3,917
2001-02	4,170
2002-03	4,317
2003-04	4,440
2004-05	4,551
2005-06	4,661

<sup>(1)</sup> Budgeted. Includes charter school.

In its adopted 2005-06 budget, the District projects that it will receive approximately \$24.9 million in aggregate revenue limit income, including charter school funds, or approximately 70% of its General Fund revenues. This amount represents an increase of 5% over the \$23.2 million that it received in 2004-05. State, federal and District funds for special (categorical) programs are budgeted at approximately \$6.6 million, including the restricted State lottery fund portion. Lottery funds may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is budgeted at \$673,382 or 1.9% of general fund revenue.

## Local Sources of Education Funding

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

The District is not a "basic aid" district. Local property tax revenues account for approximately 48% of the District's aggregate revenue limit income, and are budgeted to be approximately \$11.7 million, or 34% of total general fund revenue in 2005-06. The County is a "Teeter Plan" county, which means that the District is made whole for any delinquencies in payment of property taxes by local property owners. Property tax levy and collection procedures (including the Teeter Plan) are discussed in this Official Statement under "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Tax Rates, Levies, Collections and Delinquencies". For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

Changes in local property tax income and student enrollment (or A.D.A.) affect revenue limit districts and basic aid districts differently. In a revenue limit district, increasing enrollment increases the total revenue limit and thus generally increases a district's entitlement to State aid, assuming property tax revenues are unchanged. Operating costs increase disproportionately slowly—and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on revenue limit districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In basic aid districts, the opposite is generally true: increasing enrollment does increase the revenue limit, but since all revenue limit income (and more) is already generated by local property taxes, there is no increase in State income, other than the \$120 per student in basic aid. Meanwhile, as new students impose increased operating costs, the fixed property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus is financially beneficial to a basic aid district.

Under California law, a city or county can create a redevelopment agency in territory within one or more school districts. Upon formation of a "project area" of a redevelopment agency, all property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of tax revenues to other local taxing agencies, including school districts, from that time forward. For revenue limit districts, any loss of local property taxes is made up by an increase in State equalization aid, until the base revenue limit is reached. For basic aid districts, the loss of tax revenues is not reimbursed by the State. In neither case are taxes collected for payment of debt service on school bonds affected or diverted.

## District Expenditures

The largest part of each school district's general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

The District has budgeted that it will expend approximately \$27.3 million in salaries and benefits in fiscal year 2005-06, or approximately 74% of its general fund expenditures. This amount represents an increase of approximately 5.6% from the approximately \$25.7 million the District expended in 2004-05.

The District is required by State law and regulation to maintain various reserves. The District is required to maintain a reserve for economic uncertainties in the amount of 3% of its total (adjusted) general fund expenditures, based on its total student attendance. Legislation enacted in connection with the 2003-04 State budget negotiations

temporarily granted school districts greater flexibility in the funding and use of these and certain other reserved funds. In 2004-05, the District was only required to maintain a reserve for economic uncertainties in the amount of 1.5% of its total expenditures. As of June 30, 2005, the District has budgeted an unrestricted general fund reserve of \$1,262,820 which represents 3.4% of total expenditures.

Labor Relations. As of July 1, 2005, 465 full-time employees were represented by labor organizations, as shown in the table below. The remainder are not represented by any formal bargaining unit.

Windsor Unified School District  
Labor Organizations

<u>Labor Organization</u>	<u>Represented Employees</u>	<u>Contract Expiration</u>
Windsor District Educators Association	276	June 30, 2008
California Schools Employment Association	189	June 30, 2006 <sup>(1)</sup>

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<sup>(1)</sup> Currently under negotiation.

Retirement Programs. The District participates in the State Teachers' Retirement System ("STRS") for all full-time and some part-time certificated employees. Each school district is required by statute to contribute 8.25% of eligible employees' salaries to STRS on a monthly basis. Employees are required to contribute 8% of eligible salary. The State is required to contribute as well. The District's employer contribution to STRS was \$1,252,970 for Fiscal Year 2004-05 and is budgeted at \$1,333,858 in Fiscal Year 2005-06.

The District also participates in the California Public Employees' Retirement System ("CalPERS") for all full-time and some part-time classified employees. For many years, school districts were not required to contribute to CalPERS due to favorable investment of CalPERS funds, but beginning in 2002-03, the District was required to contribute toward CalPERS, at a State-determined percentage of CalPERS-eligible salaries. In the current budget year, the total contribution is budgeted at \$350,830, compared to a Fiscal Year 2004-05 expense of \$377,014.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. STRS and CalPERS liabilities are more fully described in APPENDIX C: "EXCERPTS FROM THE DISTRICT'S 2004-05 AUDITED FINANCIAL STATEMENTS," Note 14.

Accrued Vacation and other Obligations: The long-term portion of accumulated and unpaid employee vacation for the District as of June 30, 2005, was \$98,669.

Post-Employment Benefits

The District also provides a variety of post-employment health care benefits to certain eligible employees. Eligibility for participation in these plans is based on age, years of service, and a variety of other requirements that are unique to each plan. Each of these plans provides benefits for a specific maximum number of years. None of the plans provide benefits to retirees who are age 65 or older. As of June 30, 2005, 14 retirees met the eligibility requirements. In addition, during fiscal year 2004-05, the District offered various cash incentives to certain eligible certificated employees, for which two employees were eligible as of June 30, 2005, and early retirement incentives to both certificated and classified employees, for which four classified employees were eligible as of June 30, 2005. The estimated present value of the net minimum payments for all of these benefits through June 2015 is \$722,233. The District has not commissioned an actuarial study to determine the estimated liability for such post-employment benefits. The District is not required to comply with GASB Statement No. 45 regarding reporting of post-employment health benefit liabilities until after December 15, 2007. See APPENDIX C: "EXCERPTS FROM THE DISTRICTS 2004-05 AUDITED FINANCIAL STATEMENTS," Note 10.

## Comparative Financial Statements

The table on the following page summarizes the District's actual or expected General Fund revenue, expenditures and fund balances from fiscal year 2001-02 through 2005-06. See also APPENDIX C - "EXCERPTS FROM THE DISTRICTS 2004-05 AUDITED FINANCIAL STATEMENTS" for the District's audited financial statements for the year ending June 30, 2005, and for information relating to the District's budget.

Windsor Unified School District  
General Fund  
Revenues, Expenditures and Fund Balances  
2001-02 through 2005-06

	2001-02 Actual <sup>(1)</sup>	2002-03 Actual <sup>(2)</sup>	2003-04 Actual <sup>(2)</sup>	2004-05 Actual <sup>(2)</sup>	2005-06 Second Interim Report <sup>(4)</sup>
<b>REVENUE/RECEIPTS</b>					
Revenue Limit Sources:					
State Aid	\$10,479,289	\$9,106,663	\$8,179,736	\$11,710,885	\$12,617,741
Property Taxes	10,274,205	12,379,708	13,669,993	11,512,516	12,365,700
Federal Revenue	717,883	1,007,118	1,079,385	1,573,302	1,758,135
Other State Revenue	4,761,211	4,067,062	3,850,322	4,233,898	4,846,226
Other Local Revenue	4,340,556	4,677,933	4,853,131	4,655,909	4,236,097
<b>Total</b>	<b>\$30,573,144</b>	<b>\$31,238,484</b>	<b>\$31,632,567</b>	<b>\$33,686,510</b>	<b>\$35,823,899</b>
<b>EXPENDITURES/DISBURSEMENTS</b>					
Certificated Salaries	\$14,518,619	\$15,164,213	\$15,329,354	\$15,817,795	\$16,439,720
Classified Salaries	4,088,140	4,094,006	3,704,549	4,126,235	4,320,281
Employee Benefits	4,262,078	4,617,552	5,182,171	5,829,748	6,544,693
Books and Supplies	1,803,327	1,295,483	1,095,580	1,204,760	2,621,018
Services/Other Operating Expenditures	3,375,299	3,629,744	3,162,895	3,555,342	4,351,741
Capital Outlay	83,457	55,307	—	77,192	11,771
Other Outgo (including transfers of support costs)	2,220,755	2,638,150	2,800,964	2,383,415	2,511,245
Transfers of Indirect/Direct Support Costs	—	—	—	—	(37,422)
Debt Service	46,992	60,395	42,997	17,327	—
<b>Total</b>	<b>\$30,398,667</b>	<b>\$31,554,850</b>	<b>\$31,318,510</b>	<b>\$33,011,814</b>	<b>\$36,763,048</b>
<b>Excess of Revenue Over/(Under) Expenditures</b>					
	174,477	(316,366)	314,057	674,696	(939,150)
<b>Transfers In/Other Sources</b>					
	106,465	47,782	46,998	38,721	80,000
<b>Transfers Out/Other Uses</b>					
	(135,996)	(157,563)	(108,104)	(2,193)	(171,321)
<b>Total</b>	<b>(\$29,531)</b>	<b>(\$109,781)</b>	<b>(\$61,106)</b>	<b>\$36,528</b>	<b>(\$91,321)</b>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses</b>					
	144,946	(426,147)	252,951	711,224	(1,030,471)
<b>Fund Balance, Beginning of Year</b>					
	2,317,472	2,306,017 <sup>(3)</sup>	1,879,870	2,132,821	2,844,045
<b>Fund Balance, End of Year</b>					
	\$2,462,418	\$1,879,870	\$2,132,821	\$2,844,045	\$1,841,769

<sup>(1)</sup> Audited Financial Statements.

<sup>(2)</sup> Unaudited Supplementary Information Section of the Audited Financial Statements.

<sup>(3)</sup> Restated to reflect the correction of a prior year overstatement of state aid apportionments.

<sup>(4)</sup> Second Interim Report as of March 21, 2006.

## Charter Schools

Independent charter schools operate as autonomous public schools, under charter from a school district, a county office of education, or the State Board of Education, with minimal supervision by the local school district. There are currently no independent charter schools operating in the District. Independent charter schools would receive funding from the State and local property taxes that tend to decrease funding available for District programs. The District sponsors and operates one “dependent” charter school (Cali Calmecac) serving grades K-8 in the District under a charter granted by the Board of Trustees. Total estimated 2005-06 charter school enrollment is 932, and the 2005-06 A.D.A. is projected to be approximately 900. The District’s dependent charter school was granted its charter by the District and is governed by the District’s Board of Trustees. The dependent charter school receives revenues from State and local sources for each student enrolled. These revenues flow through the District’s general fund and then are passed on to the charter school account pursuant to Section 47635 of the California Education Code; however, amounts transferred for the account of the District’s dependent charter school do not reduce the amount of revenues available for students in other District schools. In addition, the District is required to accommodate charter school students originating in the District in facilities comparable to those provided to regular District students.

## Investment of District Funds

Substantially all of the District’s operating funds are held by the County Treasurer-Tax Collector in the County’s pooled investment fund and invested on behalf of the District pursuant to law and the County’s investment policy. See APPENDIX E – “COUNTY OF SONOMA INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF INVESTMENT POOL” herein for a description of the County’s investment policy, current portfolio holdings and valuation procedures.

## DISTRICT DEBT STRUCTURE

Tax and Revenue Anticipation Notes. The District has issued tax and revenue anticipation notes in each recent year as shown in the table below. The notes are a general obligation of the District. As a “fiscally accountable” District under the State Education Code, the District is authorized to issue its own tax and revenue anticipation notes, without action by the board of supervisors of the County. The District anticipates issuing tax and revenue anticipation notes in Fiscal Year 2006-07.

<u>Issuance Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Due Date</u>
07/06/04	\$3,405,000	3.00%	1.60%	07/06/05
07/06/05	2,615,000	4.00	2.60	07/06/06

General Obligation Bonds. In 1994, the voters of the District approved a bond proposition authorizing the issuance of \$28.5 million for the purpose of providing funds for the purchase of sites and the construction of a high school and a middle school, for the construction, improvement or renovation of school facilities and grounds, and for the purchase of school buildings. The District has issued all of the authorized bonds, of which approximately \$23.7 million in principal amount remains outstanding. In 2005, the District issued refunding bonds in the aggregate principal amount of \$15,380,000 to refund a portion of its outstanding bonds. The outstanding bonds of the District are described below.

<u>Series Name</u>	<u>Year of Issue</u>	<u>Initial Principal</u>	<u>Outstanding Principal</u>
Series A <sup>(1)</sup>	1994	\$12,304,760.50	\$ 6,826,389
Series 1996 <sup>(1)</sup>	1996	16,195,239.50	11,883,440
Refunding Series 2005	2005	n/a <sup>(2)</sup>	14,875,000
Total		\$28,500,000.00	\$33,584,829

<sup>(1)</sup> Partially refunded.

<sup>(2)</sup> Refunding bond principal not counted against voted authorization.

All such bonds are payable from a special ad valorem property tax which the County is required to levy in an amount sufficient to pay such obligations. The District’s general fund is not pledged to repayment of these bonds.



Certificates of Participation. In Fiscal Year 1997-98 the District issued certificates of participation (the "1998 Certificates") in the aggregate principal amount of \$6,150,000 with interest rates ranging from 4.00 to 5.20 percent. The 1998 Certificates are payable from legally available moneys of the District. As of June 30, 2005, the 1998 Certificates were outstanding in an aggregate principal amount of \$5,365,000. Proceeds of the Certificates will be used to prepay the 1998 Certificates in full.

Capital Leases. The District leases buildings, under lease-purchase agreements, payable from the general fund of the District, which provide for title to pass upon expiration of the lease periods. In accordance with generally accepted accounting principles. As of June 30, 2005, the schedule of lease payments was as follows:

<u>Year Ending June 30,</u>	<u>Capital Lease Payments</u>
2006	115,136
2007	115,136
2008	115,136
2009	115,136
2010	115,136
2011-2015	115,136
Total	<u>\$690,816</u>
Less: Interest Portion	<u>(115,283)</u>
Total Principal Amount of Lease Payments	\$575,533

#### Capital Financing Plan

All bond proceeds received by the District to date have been fully expended. The District has been a part of the State financial hardship program for the last four years. Once the District completes its existing capital facility projects under the State School Building Program, it has projected the need to add approximately 21 classrooms to the Windsor High School and some of the elementary schools over the next five years. The cost of these classrooms will vary based on the number, method of construction and placement of the buildings from \$75,000 to \$185,000 per classroom including site development and soft costs. The District is currently reevaluating its facility needs and available financing sources and developing a new five year capital facility plan.

#### Joint Powers Agreements for Insurance

The District is a member of the following joint powers authorities (JPAs) providing insurance coverage as noted below: Redwood Empire Schools' Insurance Group (RESIG) (property and liability, workers' compensation and dental insurance) and Schools Excess Liability Fund (SELF) (excess liability coverage).

The District obtains property and liability insurance coverage from RESIG. For property risks, the District is self-insured for the first \$100,000, and purchases combined coverage up to \$500 million per occurrence. For liability coverage, the District is self-insured for the first \$250,000, and purchases combined coverage up to \$15 million per occurrence, including excess liability coverage from SELF.

The JPAs 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 included in APPENDIX C; however, fund transactions between the entities and the District are included in these statements. See APPENDIX C: "EXCERPTS FROM THE DISTRICT'S 2004-05 AUDITED FINANCIAL STATEMENTS," Note 16. The District does not directly bear liability for the losses of other members of these JPAs; however in the event of numerous large local losses, any of the JPAs' self-insured retention funds could be exhausted, and member districts such as the District could be required to make further contributions to cover member claims.

## SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS

### Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with the definitions, instructions and procedures of the California School Accounting Manual, as required by the State Education Code. 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.

Stephen Roatch Accountancy Corporation, Folsom, California, served as independent auditor to the District and excerpts of its report for Fiscal Year Ended June 30, 2005 are attached hereto as APPENDIX C. The District considers its audited financial statements to be public information, and accordingly no consent has been sought or obtained from the auditor in connection with the inclusion of such statements in this Official Statement. The auditor has made no representation in connection with inclusion of the audit excerpts herein that there has been no material change in the financial condition of the District since the audit was concluded. In 2006, the District entered into a three-year audit contract with C.G. Uhlenberg, LLP.

### Budget Process and County Review

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

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

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

Subsequent to approval, the county superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the 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 may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the county superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's 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 a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its

financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent. In the most recent five years, the District has never received a qualified or negative certification.

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

### Limitations on Revenues

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

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

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

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

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place. So long as the District is a revenue limit district, any loss of tax revenues as a result of a drop in assessed valuation would have to be made up by the State under the Proposition 98 school funding formula.

Article XIII C and Article XIII D of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act”. Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school

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

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

Article XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIC or XIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Developer fees are not pledged and may not be available to pay the Certificates.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

#### Expenditures and Appropriations

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

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

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

Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years. If the aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, the excess must be

returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts.

In Fiscal Year 2004-05, the District had an appropriations limit of \$21.4 million and estimates an appropriations limit in 2005-06 of \$22.5 million.

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

## LOCAL PROPERTY TAXATION

### General

Local property taxes provide a significant portion of the District's total General Fund revenues. This section describes how property is assessed and how property taxes are levied and collected.

### Assessed Valuation of Property Within the District

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 real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property, business inventories, boats and airplanes. Unsecured property is assessed on the "unsecured roll."

The secured and unsecured assessed valuation of the District for the most recent six years available are listed in the following table:

Windsor Unified School District Summary of Assessed Valuation 2000-01 to 2005-06					
<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Redevelopment Increment</u>	<u>Total After Redevelopment Increment</u>
2000-01	\$1,790,516,293	\$91,581	\$39,118,473	\$1,829,726,347	\$1,714,184,075
2001-02	2,032,471,682	0	45,581,817	2,078,053,499	1,931,084,153
2002-03	2,261,773,464	0	46,689,182	2,308,462,646	2,145,518,937
2003-04	2,513,281,065	0	43,718,748	2,556,999,813	2,380,017,002
2004-05	2,796,081,173	0	49,861,623	2,845,942,796	2,627,102,485
2005-06	3,132,599,244	688,830	59,044,597	3,192,332,671	2,939,195,778

Source: California Municipal Statistics, Inc.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. The following table shows the current distribution of assessed valuation of taxable property in the District by principal land use.

Windsor Unified School District  
Assessed Valuation and Parcels by Land Use

	2005-06 Assessed Valuation <sup>(1)</sup>	% of Total	No. of Parcels	% of Total
<b>Non-Residential:</b>				
Commercial	\$175,315,460	5.60%	130	1.41%
Agricultural/Forest	134,902,160	4.31	198	2.15
Industrial	133,533,030	4.26	79	0.86
Vacant Commercial	36,752,366	1.17	43	0.47
Government/Social/Institutional	19,482,637	0.62	117	1.27
Vacant Industrial	12,780,425	0.41	22	0.24
Miscellaneous	<u>3,260,292</u>	<u>0.10</u>	<u>12</u>	<u>0.13</u>
Subtotal Non-Residential	\$516,026,370	16.47%	601	6.53%
<b>Residential:</b>				
Single Family Residence	\$2,083,429,861	66.51%	6,610	71.79%
Rural Residential	275,371,568	8.79	683	7.42
Vacant Residential	82,030,312	2.62	458	4.97
Condominium/Townhouse	76,156,228	2.43	383	4.16
5+ Residential Units/Apartments	37,125,933	1.19	21	0.23
2-4 Residential Units	33,932,309	1.08	95	1.03
Mobile Home	17,817,161	0.57	346	3.76
Mobile Home Park	<u>10,709,502</u>	<u>0.34</u>	<u>10</u>	<u>0.11</u>
Subtotal Residential	\$2,616,572,874	83.53%	8,606	93.47%
<b>Total</b>	<b>\$3,132,599,244</b>	<b>100.00%</b>	<b>9,207</b>	<b>100.00%</b>

<sup>(1)</sup> Local Secured Assessed Valuation; excluding tax-exempt property.

Taxation of State-Assessed Utility Property. A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization ("SBE") rather than by the County Assessor. The SBE assesses property which, albeit located in many taxing jurisdictions, is operated as a unit ("unitary property") in a primary function of the assessee; e.g., power generation and transmission lines of a utility system. The assessed value is allocated to each county by the SBE and taxed at a special county-wide rate. The tax revenues are distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Recent changes in the California electric utility industry structure and in the way in which components of the industry are owned and regulated, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and allocating tax revenues to local taxing agencies, including the District.

Largest Taxpayers. The 20 largest taxpayers in the District, ranked by aggregate assessed value of taxable property, as shown on the 2005-06 secured tax roll, and the amount of each owner's assessed valuation for all taxing jurisdictions within the District, are shown below.

Windsor Unified School District  
Major Taxpayers 2005-06

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2005-06 Assessed Value</u>	<u>Percent of Total<sup>(1)</sup></u>
1. Worldmark the Club	Resort	\$ 34,908,610	1.11%
2. Western Investment Real Estate	Shopping Center	23,148,720	0.74
3. HD Development of Maryland Inc.	Commercial Store	16,782,060	0.54
4. Klein Foods Inc.	Industrial-Food Processing	15,896,972	0.51
5. Frederick P. Furth	Vineyards	15,747,502	0.50
6. Airport Business Center	Industrial	15,010,864	0.48
7. Walmart Real Estate Business Trust	Shopping Center	14,993,677	0.48
8. Vintana Reserve LLC	Residential Properties	13,243,899	0.42
9. Chalk Hill Estate Vineyards LLC	Vineyards	13,116,027	0.42
10. Pan Pacific Retain Properties Inc.	Shopping Center	10,825,292	0.35
11. J Wine Company LP	Vineyards	10,126,223	0.32
12. First American Trust	Golf Course	8,346,136	0.27
13. Nieco Partners LLC	Industrial	7,537,462	0.24
14. Ledbetter Farms Inc.	Vineyards	7,307,693	0.23
15. Oakmont of Windsor LLC	Rest Home	5,763,062	0.18
16. Elvera I. Bragg	Residential Properties	5,637,109	0.18
17. Micro-Vu Corporation	Industrial	5,595,416	0.18
18. Mildara Blass Inc.	Industrial	5,546,445	0.18
19. Windsor Health Group Medical Building	Professional Building	5,429,532	0.17
20. Nancy A. Owen	Shopping Center	<u>5,398,686</u>	<u>0.17</u>
Total:		\$240,361,387	7.67%

<sup>(1)</sup> 2005-06 Local Secured Assessed Valuation: \$3,132,599,244.  
Source: California Municipal Statistics, Inc.

#### Tax Rates, Levies, Collections and Delinquencies

The annual property tax rate is limited to one percent of the full cash value, plus the amount which the County determines is necessary to pay debt service coming due in the current year, provide a sinking fund for future payments, and establish a reserve to protect against fluctuation in tax rates, with respect to all voter-approved obligations legally payable from ad valorem taxes (such as bonds of school districts, cities, counties, and special districts). Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District.

As required by State Law, the District utilizes the services of the County for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax rolls as are County, city and other special district taxes.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. Property taxes on the secured roll are due in two equal installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of ten percent attaches immediately to all delinquent payments. Taxes not paid by June 30 are deemed to be in default. The taxable property may thereafter be redeemed by payment of a penalty of one and one-half percent per month to the time

of redemption, plus costs and a redemption fee. If the taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale at a public auction by the Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of the lien date of January 1 and become delinquent if unpaid on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1. To collect unpaid taxes, the Treasurer-Tax Collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The Treasurer-Tax Collector may also bring a civil suit against the taxpayer for payment.

Teeter Plan. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including school districts, levying property taxes in the County receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount due from taxpayers 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 is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls in that agency.

Direct and Overlapping Debt. Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. and dated May 1, 2006. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations 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. 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 in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.



Windsor Unified School District  
Schedule of Direct and Overlapping Bonded Debt

2005-06 Assessed Valuation: \$3,192,332,671  
 Redevelopment Incremental Valuation: 253,136,893  
 Adjusted Assessed Valuation: \$2,939,195,778

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/06</u>
Sonoma County Joint Community College District	5.752%	\$ 8,140,616
Windsor Unified School District	100.	24,994,288
County, Town, and Special District 1915 Act Bonds	28.950-100.	<u>6,741,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$39,875,904

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Sonoma County General Fund Obligations	5.814%	\$ 2,207,285
Sonoma County Pension Obligations	5.814	17,567,001
Sonoma County Office of Education Certificates of Participation	5.814	209,885
Sonoma County Joint Community College District General Fund Obligations	5.752	150,990
Windsor Unified School District Certificates of Participation	100.	5,365,000 <sup>(1)</sup>
Town of Windsor General Fund Obligations	96.055	<u>5,806,525</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$31,306,686

COMBINED TOTAL DEBT \$71,182,590 <sup>(2)</sup>

<sup>(1)</sup> Excludes certificates of participation to be sold.

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

Ratios to 2005-06 Assessed Valuation:

APPENDIX A DIRECT DEBT (\$24,994,288) 0.78%

Total Direct and Overlapping Tax and Assessment Debt.....1.25%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$30,359,288) .....1.03%  
 Combined Total Debt .....2.42%

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

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 Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District ("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, the portion of each Base Rental Payment paid by the District designated as and evidencing and representing interest and received by owners of the Certificates 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 with respect to the Certificates 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. Bond Counsel expresses no opinion regarding any other tax consequences related to the accrual or receipt of the interest portion of the Base Rental Payments or the ownership or disposition of the Certificates. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX A hereto.

To the extent the issue price of Certificates payable on any given Certificate Payment Date is less than the amount to be paid on such date of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest with respect to the Certificates 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 Certificate payable on a particular Certificate Payment Date is the first price at which a substantial amount of those Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriter, placement agents or wholesalers). The original issue discount with respect to Certificates payable on any particular Certificate Payment Date accrues daily over the term to such date 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 Certificates to determine taxable gain or loss upon disposition (including sale, prepayment, or payment on maturity) of such Certificates. Beneficial owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of beneficial owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable on their respective Certificate Payment Dates (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable premium. No deduction is allowable for the amortizable premium in the case of securities, like the Premium Bonds, the interest with respect to 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 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 with respect to obligations such as the Certificates. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest with respect to the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest with respect to the Certificates being included in gross income for federal income tax purposes, possibly from the date of original delivery of the Certificates. 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 delivery of the Certificates may adversely affect the value of, or the tax status of interest with respect to, the Certificates.

Certain requirements and procedures contained or referred to in the Facilities Sublease, the Trust Agreement, the Tax Certificate of the District dated the date of delivery of the Certificates, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Certificates or the Facilities Sublease) 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 Certificate 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 with respect to the Certificates 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 with respect to, the Certificates 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 with respect to the Certificates 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 Certificates. Prospective purchasers of the Certificates 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 Certificates 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 Certificates ends with the delivery of the Certificates, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the beneficial owners regarding the tax-exempt status of the Certificates 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 securities 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 Certificates 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 Certificates, and may cause the District or the beneficial owners to incur significant expense.

## MISCELLANEOUS

### Legal Opinion

The validity of the Certificates and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District. A complete copy of the proposed form of the opinion of Bond Counsel with respect to the Certificates is set forth in Appendix A hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

### Ratings

The Certificates have received ratings of "AAA" by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("Standard & Poor's"), based upon the issuance by Ambac Assurance Corporation of a financial guaranty insurance policy with respect to the Certificates at the time of delivery of the Certificates. Standard & Poor's has assigned its underlying rating of "A-" to the Certificates. Such ratings reflect only the current views of the named rating agency. Generally, a bond rating agency bases its rating on information and materials furnished to it (including certain information furnished by the District which does not appear in this Official Statement), and on investigations, studies and assumptions of its own. An explanation of the significance of either rating may be obtained from Standard & Poor's at 55 Water Street, New York, NY 10041, (212) 208-1022. There is no assurance that either rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by a rating agency if, in the judgment of that rating agency, circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Certificates. The District undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

### Bank Qualified

The District has designated the Certificates as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. Pursuant to that section, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank qualified" investments.

### Legality for Investment in the State of California

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

## No Litigation

The District is not aware of any litigation pending or threatened against the District concerning the political existence of the District, the validity of the Certificates, the District's ability to receive State aid, ad valorem taxes and other revenues, or contesting the District's ability to occupy the Facility and to make the Base Rental Payments, and the District will deliver a certificate to that effect at the time of original delivery of the Certificates.

The District is subject to legal proceedings and claims which arise in the ordinary course of business. Litigation concerning certain of the District's construction projects is pending.

## Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Certificates to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following 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 no later than April 1, 2007) and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the District with each Nationally Recognized Municipal Securities Information Repository, and with the State information repository, if any. The notices of material events will be filed by the District with each Nationally Recognized Municipal Securities Information Repository or with the Municipal Securities Rulemaking Board, and with the State information repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in APPENDIX D - "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The District has filed continuing disclosure reports on a timely basis each year. The District's continuing disclosure report for the 2000-01 fiscal year did not include certain items of additional information required under the District's Continuing Disclosure Certificate relating to the 1998 Certificates. Subsequent filings of continuing disclosure reports covered all information required by each of the District's undertakings but were only filed in reference to the 1998 Certificates. The District has not otherwise failed to comply with its previous undertakings with respect to all outstanding obligations subject to a reporting requirement.

## Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP, San Francisco, California, is acting as Bond Counsel and as Disclosure Counsel to the District with respect to the Certificates. Northcross, Hill & Ach, Inc., San Rafael, California, is acting as Financial Advisor to the District with respect to the Certificates. Girard, Vinson & Trujillo, LLP, Walnut Creek, California, will deliver opinions with respect to the Certificates as counsel to the District and to the Corporation. Orrick, Herrington & Sutcliffe LLP, Northcross, Hill & Ach, Inc., and Girard, Vinson & Trujillo, LLP will each receive compensation from the District contingent upon the sale and delivery of the Certificates.

## Underwriting

The Certificates are being purchased by Stone & Youngberg LLC (the "Underwriter") pursuant to the terms of a certificate purchase agreement between the District and the Underwriter dated May 24, 2006. The Certificates are being purchased at a price of \$7,373,245.20 (which is equal to the aggregate original principal amount thereof, less a net original issue discount of \$45,754.75, less an Underwriter's discount of \$26,000.05). Pursuant to the purchase agreement, the obligation of the Underwriter to purchase the Certificates is subject to certain terms and conditions to be satisfied by the District. The Underwriter will be obligated to purchase all of the Certificates, if any of the Certificates are purchased.

The Underwriter has certified the reoffering prices or yields set forth on the cover hereof. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriter.



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APPENDIX A

PROPOSED FORM OF FINAL OPINION OF BOND COUNSEL

[Delivery Date]

Board of Trustees  
Windsor Unified School District  
Windsor, California

Board of Directors  
Windsor Unified School District Facilities Corporation  
Windsor, California

Windsor Unified School District  
Certificates of Participation (2006 School Facilities Projects)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel in connection with the execution and delivery of \$7,445,000 aggregate principal amount of Windsor Unified School District Certificates of Participation (2006 Capital Projects) (the "Certificates"). In such connection, we have reviewed a Facilities Lease dated as of May 1, 2006 (the "Facilities Lease"), by and between the Windsor Unified School District (the "District") and the Windsor Unified School District Facilities Corporation (the "Corporation"), a Facilities Sublease, dated as of May 1, 2006 (the "Facilities Sublease"), by and between the District and the Corporation, an Assignment Agreement, dated as of May 1, 2006 (the "Assignment Agreement"), by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), a Trust Agreement, dated as of May 1, 2006 (the "Trust Agreement"), by and among the Trustee, the District and the Corporation, a Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), opinions of counsel to the District, the Corporation and the Trustee, certificates of the District, the Trustee, the Corporation and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Facilities Sublease.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement, the Facilities Sublease, the Facilities Lease, the Assignment Agreement, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Facilities Sublease or the Certificates) 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 Certificate or the interest portion of any Base Rental Payment if any 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 Certificates has concluded with their execution and delivery, 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 copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the first paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Facilities Lease, the Facilities Sublease, the Assignment Agreement, the Trust Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause the interest portion of Base Rental Payments to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Certificates, the Facilities Lease, the Facilities Sublease, the Assignment Agreement, the Trust Agreement and the Tax Certificate 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 in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, waiver or severability provisions contained in the documents mentioned in the preceding sentence, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Facilities Lease, the Facilities Sublease, the Assignment Agreement or the Trust Agreement, or the accuracy or sufficiency of the description contained therein of, or the scope of remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Certificates and express no opinion with respect thereto.

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

1. The Facilities Lease, the Facilities Sublease and the Trust Agreement have been duly executed and delivered by the District and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding obligations of the District.
2. The obligation of the District to make the Base Rental Payments during the term of the Facilities Sublease constitutes a valid and binding obligation of the District, payable from funds of the District lawfully available therefor, and does not constitute a debt of the District or of the State of California within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State of California is obligated to levy or pledge any form of taxation or for which the District or the State of California has levied or pledged any form of taxation.
3. Assuming due authorization, execution and delivery of the Trust Agreement and the Certificates by the Trustee, the Certificates are entitled to the benefits of the Trust Agreement.
4. The portion of each Base Rental Payment designated as and constituting interest paid by the District under the Facilities Sublease and received by the registered owners of the Certificates 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. Such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the accrual or receipt of such interest or the ownership or disposition of the Certificates.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per



## APPENDIX B

### SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected features of the Facilities Lease, the Facilities Sublease, the Assignment Agreement and the Trust Agreement, all dated as of May 1, 2006, is intended to be read in conjunction with the discussion of such documents contained elsewhere in this Official Statement. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Certificates are referred to the complete texts of said documents, copies of which are available upon request from the District by contacting the Chief Business Officer, 9291 Old Redwood Highway, Building 500, Windsor, CA 95492-9217.

### CERTAIN DEFINITIONS

Capitalized terms used in this Official Statement and not elsewhere defined are defined in this Appendix, as excerpted from the Facilities Sublease or the Trust Agreement, to which reference is hereby made, unless the context otherwise requires. The following definitions are equally applicable to both the singular and plural forms.

“Acquisition and Construction Fund” means the fund by that name established pursuant to the Trust Agreement.

“Additional Payments” means all amounts payable to the Corporation or the Trustee or any other person from the District as required for payment of various expenses other than Base Rental Payments, as provided in the Facilities Sublease (and as described below under “CERTAIN PROVISIONS OF THE FACILITIES SUBLEASE—Payment of Rental—Additional Rental”).

“Applicable Environmental Laws” means and shall include, but shall not be limited to, CERCLA, RCRA, the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq., the Clean Air Act, 42 USC § 7401 et seq., HWCL, HSAA, the Porter-Cologne Act, the Air Resources Act, Cal. Health & Safety Code §§ 3900 et seq., the Safe Drinking Water & Toxic Enforcement Act, Cal. Health & Safety Code §§ 25249.5, and the regulations thereunder, and any other local, state and/or federal laws or regulations, whether currently in existence or hereafter enacted, that govern:

- (i) the existence, cleanup and/or remedy of contamination on property;
- (ii) the protection of the environment from spilled, deposited or otherwise emplaced contamination;
- (iii) the control of hazardous wastes; or
- (iv) the use, generation, transport, treatment, removal or recovery of Hazardous Substances, including building materials.

“Assignment Agreement” means that certain Assignment Agreement by and between the Corporation and the Trustee, dated as of May 1, 2006, which agreement was recorded in the office of the County Recorder of the County of Sonoma.

“Authorized District Representative” means the Superintendent or the Chief Business Officer of the District, or any delegate of any of the aforementioned officers duly appointed in writing, or any other officer of the District duly authorized by the Board of Trustees of the District in writing.

“Base Rental Payment Fund” means the fund by that name established in the Trust Agreement.

“Base Rental Payments” means all amounts payable to the Corporation from the District as Base Rental Payments pursuant to the Facilities Sublease.

“Board of Trustees” means the governing board of the District or any successor thereto.

“Business Day” means any day other than a day when the Principal Corporate Trust Office of the Trustee is required or authorized by applicable law to be closed.

“Certificate Insurance Policy” means the financial guaranty insurance policy issued by the Certificate Insurer insuring the payment when due of the amounts of principal and interest represented by the Certificates as provided therein.

“Certificate Insurer” means Ambac Assurance Corporation (“Ambac”), a Wisconsin-domiciled stock insurance company, which has issued the Certificate Insurance Policy and the Certificate Reserve Surety.

“Certificate of the Corporation” means an instrument in writing signed by the President or the Vice President or the Treasurer or the Secretary of the Corporation, or by any other officer of the Corporation duly authorized by the Corporation for that purpose.

“Certificate of the District” means an instrument in writing signed by an Authorized District Representative.

“Certificate Payment Date” means, with respect to any Certificate, the August 1 designated therein, which is the date on which the principal component of the Base Rental Payments evidenced and represented thereby shall become due and payable.

“Certificate Payment Schedule” means the schedule of Base Rental Payments payable to the Corporation from the District pursuant to the Facilities Sublease.

“Certificate Reserve Fund” or “Reserve Fund” means the Facilities Sublease Certificate Reserve Fund established pursuant to the Facilities Sublease.

“Certificate Reserve Fund Requirement” means the least of (i) the maximum amount of Base Rental Payments to be made by the District pursuant to the Facilities Sublease during any twelve-month period ending on July 31, (ii) 125% of the average annual Base Rental Payments, and (iii) 10% of the principal amount of the Certificates.

“Certificate Reserve Surety” means the surety bond issued by the Certificate Insurer guaranteeing certain payments into the Certificate Reserve Fund with respect to the Certificates as provided therein and subject to the limitations set forth therein.

“Code” means the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Certificate executed and delivered by the District, dated the date of issuance and delivery of the Certificates, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Corporation” means (i) Windsor Unified School District Facilities Corporation, acting as lessor under the Facilities Sublease and lessee under the Facilities Lease; (ii) any surviving, resulting or transferee entity; and (iii) except where the context requires otherwise, the Trustee as assignee of the Corporation under the Assignment Agreement.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation and related to the authorization, execution and delivery of the Facilities Sublease, the Facilities Lease, the Assignment Agreement and the Trust Agreement and the related sale of the Certificates, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees, legal fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, premiums, fees and expenses of municipal bond insurers, surety bond providers and letter of credit banks, fees and charges for

preparation, execution and safekeeping of the Certificates and any other cost, charge or fee in connection with the original execution and delivery of the Certificates.

“Defeasance Securities” includes the following:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation),
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
  - U.S. treasury obligations
  - All direct or fully guaranteed obligations
  - Farmers Home Administration
  - General Services Administration
  - Guaranteed Title XI financing
  - Government National Mortgage Association (GNMA) State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

“Demised Premises” means that certain real property situated in the County of Sonoma, State of California, described in Exhibit A attached to the Facilities Sublease, in which the District holds a fee simple interest, together with any additional real property added thereto by any supplement or amendment thereto; subject, however, to any conditions, reservations, and easements of record or known to the District.

“District” means the Windsor Unified School District, a school district duly organized and existing under and by virtue of the laws of the State of California.

“Event of Default” under the Facilities Sublease means any of those actions described as such below under the caption “CERTAIN PROVISIONS OF THE FACILITIES SUBLEASE—Defaults; Remedies”.

“Facilities Lease” means that lease, entitled “Facilities Lease” and dated as of May 1, 2006, between the District, as lessor, and the Corporation, as lessee, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions thereof and of the Trust Agreement.

“Facilities Sublease” means that certain lease, by and between the Corporation, as lessor and the District, as lessee, dated as of May 1, 2006, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions of the Facilities Sublease and of the Trust Agreement.

“Facility” means the Demised Premises and those certain District facilities which are located on the Demised Premises as described in Exhibit A to the Facilities Sublease, as the same may be amended and supplemented pursuant to the terms of the Facilities Sublease and the Trust Agreement.

“Field Act” means Sections 17280 et seq. of the Education Code.

“Hazardous Substance” means any substance which shall, at any time, be listed as “hazardous” or “toxic” or in the regulations implementing the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 USC §§ 9601 et seq., the Resource Conservation and Recovery Act (“RCRA”), 42 USC §§ 6901 et seq., the California Hazardous Waste Control Law (“HWCL”), Cal. Health and Safety Code §§ 25100 et seq., Hazardous Substance Account Act (“HSAA”), Cal. Health & Safety Code §§ 25300 et seq., or the Porter-Cologne Water Quality Control Act (the “Porter-Cologne Act”), Cal. Water Code §§ 13000 et seq., or which has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated under Applicable Environmental Laws. The term “Hazardous Substance” shall also include, without limitation, raw materials, building components, the products of any manufacturing or other activities on the subject property, wastes,

petroleum, and source, special nuclear or by-product material as defined by the Atomic Energy Act of 1954, as amended (42 USC §§ 3011, et seq., as amended) and any hazardous, toxic or regulated substances or related materials as defined in the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 110001, et seq.) (“Title III”), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (“CWA”), the Clean Air Act, as amended (42 U.S.C. Section 7401 et seq.) (the “CAA”), and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (“TSCA”).

“Information Services” means information services of national recognition which disseminate redemption information with respect to municipal securities.

“Interest Payment Date” means a date on which interest evidenced and represented by the Certificates becomes due and payable, being February 1 and August 1 of each year to which reference is made (commencing on February 1, 2007).

“Letter of Credit” means an irrevocable and unconditional letter of credit, a standby purchase agreement, a line of credit or other similar credit arrangement issued by a Qualified Bank to provide all or a portion of the Certificate Reserve Fund Requirement and submitted to and reviewed by Moody’s Investors Service and Standard & Poor’s Rating Services.

“Moody’s Investors Service” or “Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term “Moody’s Investors Service” will be deemed to refer to any other nationally recognized securities rating agency selected by the District and acceptable to each Certificate Insurer.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

“Outstanding,” when used as of any particular time with reference to Certificates, means (subject to the provisions of the Trust Agreement pertaining to Certificates owed or held by or for the account of the District) all Certificates except —

- (1) Certificates cancelled by the Trustee or delivered to the Trustee for cancellation;
- (2) Certificates paid or deemed to have been paid within the meaning of the defeasance section of the Trust Agreement; and
- (3) Certificates in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee.

“Owner” means any person who is the registered owner of any outstanding Certificate.

“Payment Date” means that August 1 during the period beginning August 1, 2007, and terminating on August 1, 2035, to which reference is made (whether a Certificate Payment Date or Interest Payment Date).

“Permitted Encumbrances” means (1) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may, pursuant to the Facilities Sublease, permit to remain unpaid; (2) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facilities Sublease in the office of the County Recorder of Sonoma and which the District certifies in writing will not materially impair the use of the Facility; (3) the Facilities Lease, as it may be amended from time to time; (4) the Facilities Sublease, as it may be amended from time to time; (5) the Assignment Agreement, as it may be amended from time to time; (6) any right or claim of any mechanic, laborer, materialman, supplier or vendor whether or not filed or perfected in the manner prescribed by law; (7) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Facilities Sublease and to which the Corporation and the District consent in writing; (8) liens relating to special assessments levied with respect to the Facility; and (9)

liens existing under the Leroy F. Greene State School Lease – Purchase Program or other similar program of the State of California.

“Permitted Investments” means any of the following to the extent then permitted by the general laws of the State of California applicable to investments by school districts including, without limitation, the provisions of California Government Code Section 5922(d) (provided that the Trustee has no obligation to verify the legality of any Permitted Investment):

- (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
  - Export-Import Bank
  - Rural Economic Community Development Administration
  - U.S. Maritime Administration
  - Small Business Administration
  - U.S. Department of Housing & Urban Development (PHAs)
  - Federal Housing Administration
  - Federal Financing Bank
- (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
  - Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
  - Obligations of the Resolution Funding Corporation (REFCORP)
  - Senior debt obligations of the Federal Home Loan Bank System
  - Senior debt obligations of other Government Sponsored Agencies approved by the Certificate Insurer
- (3) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (4) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;
- (5) Investments in a money market fund rated “AAA<sub>m</sub>” or “AAA<sub>m-G</sub>” or better by S&P;
- (6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and
  - (A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or
  - (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;
- (7) Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P.

- (8) Investment Agreements approved in writing by the Certificate Insurer (supported by appropriate opinions of counsel); and
- (9) other forms of investments (including repurchase agreements) approved in writing by the Certificate Insurer.

The value of the above investments shall be determined as follows:

- a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets Inc., Bear Stearns, or Lehman Brothers.
- b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and
- c) As to any investment not specified above: the value thereof established by prior agreement among the Issuer, the Trustee, and the Certificate Insurer.

"Project" means the acquisition, construction, improvement, renovation, modernization, furnishing and equipping of public school facilities for the benefit of the District.

"Project Costs" means all costs of acquisition and construction of the Project and of expenses incident thereto (or for making reimbursements to the Corporation or the District or any other person, firm or corporation for such costs theretofore paid by him or it), including, but not limited to, architectural and engineering fees and expenses, interest during construction, furnishings and equipment, tests and inspection, surveys, land acquisition, insurance premiums, losses during construction not insured against because of deductible amounts, costs of accounting, feasibility, environmental and other reports, inspection costs, permit fees, and charges and fees in connection with the foregoing.

"Qualified Bank" means a state or national bank or trust company or savings and loan association or a foreign bank with a domestic branch or agency which is organized and in good standing under the laws of the United States or any state thereof or any foreign country, which (together with its parent corporation) has a capital and surplus of \$50,000,000 or more and which has an uncollateralized unsecured short term debt rating by Moody's Investors Service of at least "A1" and by Standard and Poor's Rating Services of at least "A-1."

"Record Date" means, with respect to any Payment Date, the close of business on the 15th day of the month immediately preceding the applicable Payment Date.

"Securities Depositories" means all organizations registered with the Securities and Exchange Commission as securities depositories.

"Standard & Poor's" or "S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns, except that if such entity is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term Standard & Poor's will be deemed to refer to any other nationally recognized securities rating agency selected by the District and acceptable to each Certificate Insurer.

"Tax Certificate" means the certificate relating to Section 103 of the Code, executed by the District on the date of delivery of the Certificates, as originally delivered and as it may be amended from time to time.

"Trust Administration Fund" means the fund by that name established in the Trust Agreement to receive deposits of all amounts received from the District to be applied as Additional Payments under the Facilities Sublease, to be held by the Trustee for the benefit of the District until disbursed.

"Trust Agreement" means the trust agreement pursuant to which the Trustee will execute and deliver the Certificates, dated as of May 1, 2006, by and among the Trustee, the Corporation and the District, as originally executed or as it may from time to time be supplemented, modified or amended.

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or any successor appointed under the Trust Agreement.

“Written Request of the District” means an instrument in writing signed by an Authorized District Representative.

“Written Requisition of the District” means an instrument in writing addressed to the Trustee requesting payment from funds held by the Trustee under the Trust Agreement, signed by an Authorized District Representative.

Each such Written Requisition shall be sufficient evidence to the Trustee if it states the following:

(a) that obligations in the stated amounts have been incurred by the District and that each item thereof is a proper charge against the funds named therein; and

(b) that there has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the persons named in such Written Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

#### CERTAIN PROVISIONS OF THE FACILITIES LEASE

The District is the owner of the Demised Premises and the Facility. Pursuant to the Facilities Lease, the District has leased the Demised Premises and the Facility to the Corporation for a term ending on August 1, 2035, unless extended or sooner terminated. If on August 1, 2035 the Certificates have not been fully paid, or if rental payable under the Facilities Sublease has been abated at any time and for any reason, then the term of the Facilities Lease will be extended until 10 days after all Certificates have been fully paid, but in no event beyond August 1, 2045. If prior to August 1, 2035, the Certificates have been fully paid, the term of Facilities Lease will end ten days after such payment or ten days after written notice by the District to the Corporation, whichever is earlier.

The District covenants that it is the owner in fee of the Demised Premises described in the Facilities Lease. The District further covenants and agrees that if for any reason this covenant proves to be incorrect, the District will either institute eminent domain proceedings to condemn the property or institute a quiet title action to clarify the District’s title, and will diligently pursue such action to completion. The District further covenants and agrees that it will hold the Corporation harmless from any loss, cost or damages resulting from any breach by the District of these covenants.

#### CERTAIN PROVISIONS OF THE FACILITIES SUBLEASE

The District and the Corporation have entered into the Facilities Sublease providing for the lease to the District of the Demised Premises and the Facility. The Facilities Sublease, dated as of May 1, 2006, will be executed prior to the delivery of the Certificates.

#### Term; Lease of Facility

The term of the Facilities Sublease shall commence on the date of recordation thereof, or on June 14, 2006, whichever is earlier, and shall end on August 1, 2035, unless such term is extended or sooner terminated as provided in the Facilities Sublease. If on August 1, 2035, the Certificates shall not be fully paid, then the term of the Facilities Sublease shall be extended until ten days after all Certificates shall be fully paid, except that the term of the Facilities Sublease shall not exceed August 1, 2045. If prior to August 1, 2035, all Certificates have been fully paid, the term of the Facilities Sublease shall end ten days thereafter or ten days after written notice by the District to the Corporation, whichever is earlier.

The District may substitute property as part of the Facility for purposes of the Facilities Lease and the Facilities Sublease, if the District has filed with the Trustee, with copies to each rating agency then providing a rating for the Certificates, all of the following:

(a) Executed copies of the Facilities Lease, the Facilities Sublease or amendments thereto containing the description of the substituted Facility, including the legal description of the Demised Premises as modified if necessary;

(b) A Certificate of the District with copies of the Facilities Lease, the Facilities Sublease and the Assignment Agreement, if needed, or amendments thereto containing the description of the substituted Facility, including the Demised Premises, stating that such documents have been duly recorded in the official records of the County Recorder of the County of Sonoma;

(c) A Certificate of the District, accompanied by a written appraisal from an MAI appraiser, who may but need not be an employee of the District, (i) evidencing that the annual fair rental value of the substituted Facility which will constitute the Facility after such substitution will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year and that the value of the substituted property is at least equal to that of the released property; and (ii) stating that the useful economic life of the substituted Facility is at least equal to the remaining term of the Facilities Sublease.

(d) With respect to the substituted Demised Premises, insurance naming the Trustee as the insured and insuring, the fee or leasehold estate of the Trustee in such substituted property subject only to such exceptions as do not substantially interfere with the District's right to use and occupy such substituted property and as will not result in an abatement of Base Rental Payments payable by the District under the Facilities Sublease.

(e) A Certificate of the District stating that the substituted Facility is ready for immediate use and occupancy by the District.

(f) A Certificate of the District stating that the essentiality of the substituted Facility is comparable to that of the existing Facility.

(g) Evidence that such substitution will not cause any rating on the Certificates to be reduced or withdrawn.

(h) An Opinion of Counsel stating that such amendment or modification (i) is authorized or permitted by the Constitution and laws of the State of California and the Trust Agreement; (ii) will, upon the execution and delivery thereof, be valid and binding upon the Trustee, as assignee of the Corporation, and the District in accordance with its terms; and (iii) will not cause the interest component of the Base Rental Payments to be included in gross income for federal income tax purposes.

(i) The written consent of the Certificate Insurer.

#### Certificate Reserve Fund

In further consideration for the agreements and covenants of the District in the Facilities Sublease, the Corporation further agrees to pay to the District upon the sale and delivery of the Certificates a sum equal to the Certificate Reserve Fund Requirement for deposit with the Trustee in the Certificate Reserve Fund. If on February 1 or August 1 of any year the amount in the Certificate Reserve Fund exceeds the Certificate Reserve Fund Requirement, the Trustee, if the District is not then in default under the Facilities Sublease or under the Trust Agreement, will pay the amount of such excess to the District, unless directed by the District to deposit any portion of such excess to the Trust Administration Fund. Except for such withdrawals, the District agrees to apply the moneys on deposit in the Certificate Reserve Fund solely for the payment of Base Rental Payments due and payable by the District if and when rental is abated in accordance with the Facilities Sublease or when other moneys of the District are not otherwise available to make such Base Rental Payments.



All or a part of such Certificate Reserve Fund Requirement may be provided by a policy of insurance issued by a municipal bond insurance company, obligations insured by which have a rating by Moody's Investors Service and by Standard and Poor's which is the highest rating then issued by said rating agencies or by a Letter of Credit issued by a Qualified Bank.

#### Payment of Rental

The District agrees to pay as rental for the use and occupancy of the Facility the following amounts at the following times:

(a) Base Rental. The District will pay to the Trustee, as assignee of the Corporation, as Base Rental Payments annual rental payments with principal and interest components, the interest components being payable semi-annually, in accordance with the Facilities Sublease. Base Rental Payments will be calculated on an annual basis, for the twelve-month periods commencing on August 1 and ending on July 31, and each annual Base Rental Payment will be divided into two interest components, due on February 1 and August 1 of each rental payment period, and one principal component, due on August 1 of each rental payment period; provided, however, that the first Base Rental Payment period will commence on the date of recordation or June 14, 2006, whichever is earlier, and shall end on July 31, 2007, and the first Base Rental component payment shall be due on February 1, 2007. Each Base Rental Payment installment will be payable on the 15th day of the month immediately preceding its due date and any interest or other income with respect thereto accruing prior to such due date will belong to the District and will be returned by the Trustee to the District on February 1 and August 1 of each year or credited to rental due. The interest components of the Base Rental Payments will be paid by the District as and constitute interest paid on the principal components of the Base Rental Payments to be paid by the District under the Facilities Sublease, computed on the basis of a 360-day year composed of twelve 30-day months. Each annual Base Rental Payment will be for the use of the Facility for the twelve-month period commencing on August 1 of the period in which such installments are payable. If the term of the Facilities Sublease has been extended, Base Rental Payment installments will continue to be due and payable on February 1 and August 1 in each year, continuing to and including the date of termination of the Facilities Sublease, in an amount equal to the amount of Base Rental Payments for the twelve-month period commencing August 1, 2035. Upon such extension of the Facilities Sublease, the principal and interest components of the Base Rental Payments will be established so that the principal components will in the aggregate be sufficient to pay all unpaid principal components with interest components sufficient to pay all unpaid interest components plus interest on the extended principal components at a rate equal to the rate of interest on the principal component of the Base Rental Payment payable on August 1, 2035.

(b) Additional Rental. The District will also make Additional Payments as shall be required for the payment of all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, fees of auditors, accountants, attorneys or architects, and all other charges required to be paid by the District to comply with the terms of the Certificates or of the Trust Agreement; but not including in Additional Payments amounts required to pay the principal or interest represented by the Certificates.

Such Additional Payments shall be billed to the District by the Trustee from time to time pursuant to the Trust Agreement. Amounts so billed shall be paid by the District within 15 days after receipt of the bill by the District. The District reserves the right to audit billings for Additional Payments although exercise of such right shall in no way affect the duty of the District to make full and timely payments for all Additional Payments. Any payments of Additional Payments not expended upon receipt shall be held by the Trustee in the Trust Administration Fund pursuant to the Trust Agreement.

#### Application of Payments

All payments received will be applied first to the interest components of the Base Rental Payments due under the Facilities Sublease, then to the principal components of the Base Rental Payments due under the Facilities Sublease and thereafter to all Additional Payments due under the Facilities Sublease, but no such application of any payments which are less than the total rental due and owing will be deemed a waiver of any default under the Facilities Sublease.

### Payments to be Unconditional

The District will make all rental payments when due without deduction or offset of any kind and will not withhold rental payments pending final resolution of any dispute with the Corporation. In the event of a determination that the District was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, will, at the option of the District, be credited against subsequent rental payments due under the Facilities Sublease or be refunded at the time of such determination. Any installment of rental accruing under the Facilities Sublease which has not been paid when due will bear interest at the rate of 12% per annum, or such lesser maximum rate of interest as may be permitted by law, from the date when the same is due until the same has been paid.

### Appropriations Covenant

The District covenants to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due under the Facilities Sublease in its annual budgets, to make the necessary annual appropriations for all such Base Rental Payments and Additional Payments and to take such action annually as will be required to provide funds in such year for such Base Rental Payments and Additional Payments. The District will deliver to the Trustee on or before July 1 of each year a Certificate of the District stating that the District budget for such year provides for the payment of Base Rental Payments and Additional Payments in such year.

### Maintenance, Utilities

During the term of the Facilities Sublease, all maintenance and repair, both ordinary and extraordinary, of the Facility will be the responsibility of the District. The District will pay for or otherwise arrange for the payment of all utility services supplied to the Facility and will pay for or otherwise arrange for the payment of the costs of the repair and replacement of the Facility resulting from ordinary wear and tear or want of care on the part of the District or any other cause and will pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Facility.

### Net-Net-Net Lease

The Facilities Sublease shall be deemed and construed to be a "net-net-net lease" and the District has agreed that the rentals provided for in the Facilities Sublease shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

### Fire and Extended Coverage and Earthquake Insurance

The District shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facilities Sublease insurance against loss or damage to any structures constituting any part of the Facility by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance, sprinkler system leakage insurance, and earthquake insurance (but as to such earthquake insurance only if such insurance is available at reasonable cost on the open market from reputable insurance companies), and further except that the District need not obtain earthquake insurance on any portion of the Facility the design and construction of which comply with the provisions of the Field Act. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Facility, excluding the cost of excavations, of grading and filling, and of the land (except that such earthquake insurance may be subject to a deductible clause of not to exceed ten per cent of said replacement cost for any one loss and except that such other insurance may be subject to deductible clauses for any one loss of not to exceed \$100,000), or, in the alternative, shall be in an amount and in a form sufficient (together with moneys in the Certificate Reserve Fund), in the event of total or partial loss, to enable all Certificates then Outstanding to be prepaid. In the event of any damage to or destruction of any part of the Facility caused by the perils covered by such insurance, if in the judgment of the District the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Facility, the Trustee shall cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or

destroyed portion of the Facility, and the Trustee shall hold said proceeds separate and apart from all other funds, in the designated "Insurance and Condemnation Fund."

As an alternative to providing the insurance listed above, the District, with the written consent of the Certificate Insurer, may provide a self-insurance method or plan of protection approved in writing by the Certificate Insurer, if and to the extent such self-insurance method or plan of protection shall afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State of California other than the District. Before such other method or plan may be provided by the District, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Facilities Sublease, a certificate will be filed with the Trustee and Certificate Insurer by an independent actuary, independent insurance consultant or other qualified person, stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facilities Sublease and, when effective, would afford reasonable coverage for the risks required to be insured against. There will also be filed with the Trustee and Certificate Insurer a certificate of the District setting forth the details of such substitute method or plan. The District agrees under the Facilities Sublease that it will not change or modify any self-insurance method in effect on the effective date of the Facilities Sublease to increase the amount of self-insurance being provided or to reduce the coverage of the self-insurance without the prior written approval of the Certificate Insurer.

#### Liability Insurance

Except as provided in the Facilities Sublease, the District will procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facilities Sublease, standard comprehensive general liability insurance policy or policies in protection of the Trustee, as assignee of the Corporation, and its members, directors, officers, agents and employees and the Trustee, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Facility, with minimum liability limits of \$1,000,000 for personal injury or death of each person, and for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$1,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the District.

As an alternative to providing liability insurance, the District may provide a self-insurance method or plan of protection approved in writing by the Certificate Insurer, if and to the extent such self-insurance method or plan of protection will afford reasonable protection to the Trustee, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State of California other than the District. Before another method or plan may be provided by the District, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Facilities Sublease, a certificate will be filed with the Trustee and Certificate Insurer by an actuary, independent insurance consultant or other qualified person, stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facilities Sublease and, when effective, would afford reasonable protection to the Trustee, its members, directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby. There will also be filed with the Trustee and Certificate Insurer a certificate of the District setting forth the details of such substitute method or plan. In the event of loss covered by any such self-insurance method, the liability of the District under the Facilities Sublease is limited to the amounts in the self-insurance reserve fund or funds created under such method. The District agrees under the Facilities Sublease that it will not change or modify any self-insurance method in effect on the effective date of the Facilities Sublease to increase the amount of self-insurance being provided or to reduce the coverage of the self-insurance without the prior written approval of the Certificate Insurer.

#### Rental Interruption Insurance

The District is required by the Facilities Sublease to procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facilities Sublease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Facility as the result of any of the hazards covered by casualty insurance required by the terms of the Facilities Sublease, in an amount sufficient to pay the part of the total rent attributable to the portion of the Facility rendered unusable for a period of at least 24 months,

except that such insurance need be maintained as to the peril of earthquake only if such insurance is available at reasonable cost on the open market from reputable insurance companies, and further except that the District need not obtain such insurance as to the peril of earthquake on any portion of the Facility the design and construction of which comply with the provisions of the Field Act. Any proceeds of such insurance shall be used by the Trustee to reimburse to the District any rental theretofore paid by the District attributable to such portion of the Facility for a period of time during which the payment of rental is abated, and any proceeds of such insurance not so used shall be applied to the extent required for the Base Rental Payments and to the extent required for the payment of Additional Payments under the Facilities Sublease. The District shall cause a copy of the policy to be furnished to the Certificate Insurer upon each renewal, and not less than annually. The District shall use its best efforts to provide sufficient construction funds and to make all required lease payments in excess of the amount of such insurance, if necessary, in order to ensure completion of the reconstruction, repair, or restoration of the Facility.

#### Title Insurance

The District is required to procure and deliver to the Trustee, prior to or upon delivery of the Certificates, a California Land Title Association ("CLTA") Owner's Policy title policy or policies, in an aggregate amount equal to the aggregate principal component of unpaid Base Rental Payments, subject only to Permitted Encumbrances, insuring the District and the Trustee, as assignee of the Corporation, as to the District's leasehold estate in the Demised Premises and the Facility. So long as any of the Certificates shall be Outstanding, any award made under the policy of title insurance with respect to the Facility or any portion thereof shall be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in the Facilities Sublease.

#### Default; Remedies

(a) If the District fails to pay any rental payable under the Facilities Sublease when the same becomes due and payable, time being expressly declared to be of the essence of the Facilities Sublease, or the District fails to keep, observe or perform any other term, covenant or condition contained in the Facilities Sublease to be kept or performed by the District for a period of 30 days after notice of the same has been given to the District by the Trustee or for such additional time as is reasonably required, in the sole discretion of the Trustee, to correct the same, or upon the happening of any of the events specified in paragraph (b) below (any such case being an "Event of Default" under the Facilities Sublease and a default under the Trust Agreement), the District will be deemed to be in default under the Facilities Sublease, and it will be lawful for the Trustee, as assignee of the Corporation, to exercise any and all remedies available pursuant to law or granted pursuant to the Facilities Sublease. Upon any such default, the Trustee, in addition to all other rights and remedies it may have at law, will have the option to do any of the following:

(1) To terminate the Facilities Sublease in the manner described below on account of default by the District, notwithstanding any re-entry or re-letting of the Facility as described in subparagraph (2) below, and to re-enter the Facility and remove all persons in possession thereof and all personal property wheresoever situated upon the Facility and place such personal property in storage in any warehouse or other suitable place in the County of Sonoma, California. In the event of such termination, the District agrees to surrender immediately possession of the Facility, without let or hindrance, and to pay the Trustee all damages recoverable at law that the Trustee may incur by reason of default by the District, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Facility and removal or storage of such property by the Trustee or its duly authorized agents in accordance with the provisions contained in the Facilities Sublease. Neither notice to pay rent or to deliver up possession of the Facility given pursuant to law nor any entry or re-entry by the Trustee nor any proceeding in unlawful detainer, or otherwise, brought by the Trustee for the purpose of effecting such re-entry or obtaining possession of the Facility nor the appointment of a receiver upon initiative of the Trustee to protect the Trustee's interest under the Facilities Sublease will of itself operate to terminate the Facilities Sublease, and no termination of the Facilities Sublease on account of default by the District will become effective by operation of law or acts of the parties thereto or otherwise, unless and until the Trustee has given written notice to the District of the election on the part of the Trustee to terminate the Facilities Sublease. The District covenants and agrees that no surrender of the Facility or of the remainder of the term of the Facilities Sublease or any termination of the Facilities Sublease will be valid in any manner or for any purpose whatsoever unless stated or accepted by the Trustee by such written notice.

(2) Without terminating the Facilities Sublease, (i) to collect each installment of rent as it becomes due and enforce any other term or provision of the Facilities Sublease to be kept or performed by the District, regardless of whether or not the District has abandoned the Facility, and/or (ii) to exercise any and all rights of entry and re-entry upon the Facility. In the event the Trustee does not elect to terminate the Facilities Sublease in the manner provided for in subparagraph (1) above, the District will remain liable and agrees to keep or perform all covenants and conditions contained in the Facilities Sublease to be kept or performed by the District and, if the Facility is not re-let, to pay the full amount of the rent to the end of the term of the Facilities Sublease or, in the event that the Facility is re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as described above for the payment of rent under the Facilities Sublease (without acceleration), notwithstanding the fact that the Trustee may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental therein specified and notwithstanding any entry or re-entry by the Trustee or suit in unlawful detainer, or otherwise, brought by the Trustee for the purpose of effecting such entry or re-entry or obtaining possession of the Facility. Should the Trustee elect to enter or re-enter as provided in the Facilities Sublease, the District will irrevocably appoint the Trustee as the agent and attorney-in-fact of the District to re-let the Facility, or any part thereof, from time to time, either in the Trustee's name or otherwise, upon such terms and conditions and for such use and period as the Trustee may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Facility and to place such personal property in storage in any warehouse or other suitable place in the County of Sonoma, State of California, for the account of and at the expense of the District, and the District exempts and agrees to save harmless the Trustee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Facility and removal of and storage of such property by the Trustee or its duly authorized agents in accordance with the provisions contained in the Facilities Sublease. The District agrees that the terms of the Facilities Sublease constitute full and sufficient notice of the right of the Trustee to re-let the Facility and to do all other acts to maintain or preserve the Facility as the Trustee deems necessary or desirable in the event of such re-entry without effecting a surrender of the Facilities Sublease, and further agrees that no acts of the Trustee in effecting such re-letting shall constitute a surrender or termination of the Facilities Sublease, irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Facilities Sublease shall vest in the Trustee to be effected in the sole and exclusive manner provided for in subparagraph (1) above. The District further waives the right to rental obtained by the Trustee in excess of the rental specified in the Facilities Sublease and thereby conveys and releases such excess to the Trustee as compensation to the Trustee for its services in re-letting the Facility or any part thereof. The District further agrees to pay the Trustee the cost of any alterations or additions to the Facility or any part thereof necessary to place the Facility or any part thereof in condition for re-letting immediately upon notice to the District of the completion and installation of such additions or alterations.

(b) If (1) the District's interest in the Facilities Sublease or any part thereof is assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Trustee, as assignee of the Corporation, or if (2) the District or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the District asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the District's debts or obligations or offers to the District's creditors to effect a composition or extension of time to pay the District's debts or asks, seeks or prays for a reorganization or to effect a plan of reorganization, or for a readjustment of the District's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the District, or if a receiver of the business or of the property or assets of the District shall be appointed by any court, except a receiver appointed at the instance or request of the Trustee, or if the District makes a general or any assignment for the benefit of the District's creditors, or if (3) the District abandons or vacates any part of the Facility, then the District will be deemed to be in default under the Facilities Sublease.

(c) The Corporation will in no event be in default in the performance of any of its obligations under the Facilities Sublease or imposed by any statute or rule of law unless and until the Corporation has failed to perform such obligations within 30 days or such additional time as is reasonably required to correct any such default after notice by the District to the Corporation properly specifying wherein the Corporation has failed to perform any

such obligation. In the event of default by the Corporation, the District will be entitled to pursue any remedy provided by law.

(d) In addition to the other remedies set forth, upon the occurrence of an Event of Default, the Trustee shall be entitled to proceed to protect and enforce the rights vested in the Trustee, as assignee of the Corporation, by the Facilities Sublease or by law. The provisions of the Facilities Sublease and the duties of the District and of its trustees, officers or employees shall be enforceable by the Trustee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Trustee shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the District and its trustees, officers and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Trustee's rights against the District (and its Board of Trustees, officers and employees) and to compel the District to perform and carry out its duties and its covenants and agreements with the District as provided in the Facilities Sublease.

Each and all of the remedies given to the Trustee, as assignee of the Corporation, under the Facilities Sublease or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege under the Facilities Sublease will not impair the right of the Trustee to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in the Facilities Sublease will include, but will not be limited to, re-letting by means of the operation by the Trustee of the Facility. If any statute or rule of law validly limits the remedies given to the Trustee under the Facilities Sublease, the Trustee nevertheless will be entitled to whatever remedies are allowable under any statute or rule of law.

The District agrees to pay a reasonable amount as and for attorney's fees incurred by the Trustee in attempting to enforce any of the remedies available to the Trustee under the Facilities Sublease, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

#### Eminent Domain

If the whole of the Facility or so much thereof as to render the remainder unusable for the purposes for which it was used by the District is taken under the power of eminent domain, the term of the Facilities Sublease will cease as of the day that possession is so taken. If less than the whole of the Facility is taken under the power of eminent domain and the remainder is usable for the purposes for which it was used by the District at the time of such taking, then the Facilities Sublease will continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due under the Facilities Sublease in an amount equivalent to the amount by which the annual payments of principal and interest represented by Certificates then Outstanding will be reduced by the application of the award in eminent domain to the prepayment of Outstanding Certificates. So long as any of the Certificates are Outstanding, any award made in eminent domain proceedings for taking the Facility or any portion thereof will be applied to the prepayment of Base Rental Payments as provided in the Facilities Sublease. Any such award made after all of the Certificates have been fully paid and retired will be paid to the District.

#### Option to Purchase; Personal Property

The District will have the option to purchase the Corporation's interest in any part of the Facility upon payment of an option price consisting of moneys or securities of the category specified in clause (1) of the definition of the term Permitted Investments contained in the Trust Agreement (not callable by the issuer thereof prior to maturity) in an amount sufficient (together with the increment, earnings and interest on such securities) to provide funds to pay for the entire remaining term of the Facilities Sublease the part of the total rent thereunder attributable to such part of the Facility (determined by reference to the proportion which the acquisition, design and construction

cost of such part of the Facility bears to the initial cost of all of the Facility). Any such payment will be made to the Trustee and will be treated as rental payments, and will be applied by the Trustee to pay the interest and principal components of the Certificates and to prepay Certificates if such Certificates are subject to prepayment pursuant to the terms of the Trust Agreement. Upon the making of such payment to the Trustee, (a) the interest and principal components of each installment of Base Rental Payments thereafter payable under the Facilities Sublease will be reduced by the amount thereof attributable to such part of the Facility and paid in exercise of the option, (b) the abatement provision of the Facilities Sublease will not thereafter be applicable to such part of the Facility, (c) the insurance required by the Facilities Sublease need not be maintained as to such part of the Facility, and (d) title to such part of the Facility and of the portion of the Demised Premises upon which such part of the Facility is located will vest in the District and the term of the Facilities Sublease and of the Facilities Lease will end as to the portion of the Demised Premises upon which such part of the Facility is located and to such part of the Facility.

The District, in its discretion, may request the Trustee to sell or exchange any personal property which may at any time constitute a part of the Facility, and to release said personal property from the Facilities Sublease, if: (a) in the opinion of the District the property so sold or exchanged is no longer required or useful in connection with the operation of the Facility; (b) the consideration to be received from the property is of a value substantially equal to the value of the property to be released; and (c) if the value of any such property will, in the opinion of the District, exceed the amount of \$50,000, the Trustee will have been furnished a certificate of an independent engineer or other qualified independent professional consultant (satisfactory to the Trustee) certifying the value thereof and further certifying that such property is no longer required or useful in connection with the operation of the Facility. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released will be paid to the Trustee. Any money so paid to the Trustee may, so long as the District is not in default under any of the provisions of the Facilities Sublease, be used upon the Written Request of the District to purchase personal property, which property will become a part of the Facilities Subleased under the Facilities Sublease. The Trustee may require such opinions, certificates and other documents as it may deem necessary before permitting any sale or exchange of personal property subject to the Facilities Sublease or before releasing for the purchase of new personal property money received by it for personal property so sold.

#### CERTAIN PROVISIONS OF THE ASSIGNMENT AGREEMENT

Pursuant to the Assignment Agreement between the Corporation and the Trustee, dated as of May 1, 2006, the Corporation has assigned to the Trustee without recourse (i) all its rights to receive the Base Rental Payments and Additional Payments scheduled to be paid by the District under and pursuant to the Facilities Sublease, (ii) all rents, profits, products and proceeds from the Facility to which the Corporation has any right or claim whatsoever under the Facilities Sublease, (iii) the right to take all actions and give all consents under the Facilities Sublease, (iv) any right of access more particularly described in the Facilities Sublease, (v) all other right, title, and interest of the Corporation in the Facilities Sublease, (vi) all right, title, and interest of the Corporation in the Facilities Lease, and (vii) all right, title, and interest of the Corporation in the funds and accounts (and the money and other property held therein) established pursuant to the Trust Agreement or the Facilities Sublease.

#### CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The Trust Agreement was entered into among the District, the Corporation and the Trustee as of May 1, 2006. The Trust Agreement, among other things, provides for the execution and delivery of the Certificates and sets forth the terms thereof, provides for the creation of certain of the funds described below, includes certain covenants of the District and the Corporation, defines events of default and remedies therefor, and sets forth the rights and responsibilities of the Trustee.

Certain provisions of the Trust Agreement setting forth the terms of the Certificates, the prepayment provisions thereof and the use of the proceeds of the Certificates are set forth elsewhere in this Official Statement. See "THE CERTIFICATES."

## The Trustee

The Trustee will receive all of the Certificate proceeds and Rental Payments under the Facilities Sublease, as amended, execute and deliver the Certificates and act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and upon the Written Request of the District will invest amounts held under the Trust Agreement in Permitted Investments.

## Pledge of Base Rental Payments; Base Rental Payment Fund

The Base Rental Payments are irrevocably pledged under the Trust Agreement to District for the punctual payment of interest and principal represented by the Certificates, and the Base Rental Payments will not be used for any other purpose while any Certificates remain Outstanding.

All Base Rental Payments will be paid directly by the District to the Trustee, and if received by the Corporation at any time will be deposited by the Corporation with the Trustee within five Business Days after the receipt thereof.

## Deposit of Base Rental Payments

The Trustee will deposit the Base Rental Payments contained in the Base Rental Payment Fund at the times and in the manner provided for in the Trust Agreement in the following respective funds, each of which the Trustee under the Trust Agreement agrees to establish and maintain so long as any Certificates are Outstanding, and the moneys in each of such funds will be disbursed only for the purposes and uses authorized in the Trust Agreement.

(a) Interest Fund. The Trustee, on February 1 and August 1 of each year (commencing on February 1, 2007), will deposit in the Interest Fund that amount of moneys representing the portion of the Base Rental Payments designated as interest components coming due on each such February 1 and August 1 date, respectively. Moneys in the Interest Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest represented by the Certificates when due and payable.

(b) Principal Fund. The Trustee, on August 1 of each year (commencing on August 1, 2007), will deposit in the Principal Fund that amount of moneys representing the portion of the Base Rental Payments designated as the principal component coming due on such August 1 date, respectively. Moneys in the Principal Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal represented by the Certificates when due and payable, including the mandatory prepayment of any Certificates representing the principal components of Base Rental Payments payable in more than one year.

(c) Prepayment Fund. The Trustee, on the prepayment date specified in the Written Request of the District filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Facilities Sublease, will deposit in the Prepayment Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Moneys in the Prepayment Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and any applicable premium represented by the Certificates to be prepaid.

## Trust Administration Fund

The Trustee will deposit in the Trust Administration Fund (which fund the Trustee agrees to establish and maintain so long as any Certificates are Outstanding) all amounts received from the District to be applied as Additional Rental Payments under the Facilities Sublease, to be held by the Trustee for the benefit of the District until disbursed. The moneys in the Trust Administration Fund will be disbursed by the Trustee upon the Written Request of the District, for the payment of compensation and indemnification of the Trustee payable by the District under the Trust Agreement, fees of the auditors, accountants, attorneys or architects and all other charges required to be paid by the District to comply with the terms of the Certificates or the Trust Agreement.



### Rebate Fund

The Trustee will establish and maintain a fund separate from any other fund established and maintained under the Trust Agreement designated as the "Rebate Fund." Within the Rebate Fund, the Trustee shall maintain such accounts as shall be specified in a Written Request of the District necessary in order to comply with the terms and requirements of the Tax Certificate. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Tax Certificate), for payment to the federal government of the United States of America. All amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by the Trust Agreement and by the Tax Certificate. The Trustee shall be deemed conclusively to have complied with such provisions if it follows a Written Request of the District in the manner provided in the Tax Certificate and shall have no liability or responsibility to enforce compliance by the District with the terms of the Tax Certificate.

### Compliance with or Amendment of Facilities Lease or Facilities Sublease

The Corporation and the District will not alter, amend or modify the Facilities Lease or the Facilities Sublease without the prior written consent of the Certificate Insurer and the Trustee, which consent of the Trustee will be given only (i) if the Trustee is to be furnished an Opinion of Counsel or a Certificate of the District to the effect that such alterations, amendments or modifications are not materially adverse to the interests of the Owners, or (ii) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power therein reserved to the District, or (iii) to cure, correct or supplement any ambiguous or defective provision contained therein, or (iv) to resolve questions arising thereunder, as the parties thereto may deem necessary or desirable and which based upon an Opinion of Counsel or Certificate of the District do not materially adversely affect the interests of the Owners of the Certificates, or (v) to modify the legal description of the Demised Premises to conform to the requirements of title insurance or otherwise to add or delete property descriptions to reflect accurately the description of the parcels intended to be included therein, or (vi) to provide for the requirements of any Certificate Insurer in connection with the issuance of any Certificate Insurance Policy or any entity providing a policy of municipal bond insurance or letter of credit or similar financial instrument for deposit in the Certificate Reserve Fund established pursuant to the Facilities Sublease to satisfy all or a portion of the Certificate Reserve Fund Requirement, so long as such alterations, amendments or modifications are not materially adverse to the interests of the Owners, or (vii) if the Trustee first obtains the written consents of the Owners of at least a majority in aggregate principal amount of the Certificates then Outstanding and of any Certificate Insurer to such alterations, amendments or modifications; provided, however, that no such alteration, amendment or modification will extend the date for the making of any Rental Payment, extend a Certificate Payment Date or reduce the rate of interest represented by any Certificate or extend the time of payment of such interest or reduce the amount of principal represented thereby without the prior written consent of the Certificate Insurer and of the Certificate Owner so affected, nor will any such alteration, amendment or modification reduce the percentage of Owners whose consent is required for the execution of any alteration, amendment or supplement.

### Action on Default

If an Event of Default occurs under the Facilities Sublease, then such Event of Default will constitute a default under the Trust Agreement, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount represented by the Certificates at the time Outstanding or the Certificate Insurer will be entitled, upon notice in writing to the District, to exercise the remedies provided to the Corporation (or the Trustee as Corporation's assignee) in the Facilities Sublease and to the Trustee in the Assignment Agreement.

Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined therein, the Certificate Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the owners of the Certificates or the Trustee for the benefit of the owners of the Certificates under the Trust Agreement.

### Other Remedies of the Trustee

The Trustee shall have the right —

(i) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Corporation or the District or any member, director, officer or employee thereof, and to compel the Corporation or the District or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Trust Agreement;

(ii) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(iii) by suit in equity upon the happening of any default under the Trust Agreement to require the Corporation and the District and any members, directors, officers and employees thereof to account as the trustee of an express trust.

### A Amendment or Supplement of Trust Agreement

The Trust Agreement and the rights and obligations of the Corporation and the District and the Owners and the Trustee thereunder may be amended or supplemented at any time by an amendment thereto or supplement thereto which will become binding when the written consents of the Certificate Insurers and of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of disqualified Certificates, are filed with the Trustee. No such amendment or supplement will (1) change the fixed Certificate Payment Date of any Certificate or reduce the rate of interest represented thereby or extend the time of payment of such interest or reduce the amount of principal represented thereby without the prior written consent of the Certificate Insurers and of the Certificate Owners so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment thereof or supplement thereto, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) amend the Trust Agreement provisions concerning amendments and supplements without the prior written consent of the Owners of all Certificates then Outstanding and of the Certificate Insurer. The Trustee will furnish copies to Standard & Poor's of all amendments consented to by the Certificate Insurer.

The Trust Agreement and the rights and obligations of the Corporation, the District, the Owners and the Trustee thereunder may also be amended or supplemented at any time by an amendment or supplement to the Trust Agreement (upon prior notice given to the Certificate Insurer) which will become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel and only for any one or more of the following purposes—

(a) to add to the agreements, conditions, covenants and terms required by the Corporation or the District to be observed or performed in the Trust Agreement, other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the District, or to surrender any right or power reserved to or conferred on the Corporation or the District, and which in either case will not materially adversely affect the interests of the Owners; or

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in or in regard to questions arising under the Trust Agreement which the Corporation or the District may deem desirable or necessary and not inconsistent with the Trust Agreement, and which will not materially adversely affect the interests of the Owners; or

(c) to modify, amend or supplement the Trust Agreement or any agreement supplemental to the Trust Agreement in such manner as to permit the qualification of the Trust Agreement either under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Certificates for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Trust Agreement or any agreement supplemental thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute; or

(d) to make any modifications or changes necessary or appropriate in the Opinion of Counsel to preserve or protect the exclusion from gross income of interest represented by the Certificates for federal income tax purposes; or

(e) to provide for the requirements of any Certificate Insurer in connection with the issuance of any Certificate Insurance Policy or any entity providing a policy of municipal bond insurance or letter of credit or similar financial instrument for deposit in the Certificate Reserve Fund established pursuant to the Facilities Sublease to satisfy all or a portion of the Certificate Reserve Fund Requirement, so long as such alterations, amendments or modifications are not materially adverse to the interest of the Owners.

#### Consent of Certificate Insurer in lieu of Consent of Owners of Certificates

The Certificate Insurer's consent shall be required in lieu of consent of the Owners of the Certificates, when required, for the following purposes: (i) execution and delivery of any supplemental Trust Agreement or any amendment, supplement or change to or modification of the Facilities Lease or the Facilities Sublease; (ii) removal of the Trustee or selection and appointment of any successor trustee; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires consent of the Owners of the Certificates.

#### Certificate Insurer as Beneficiary

To the extent that the Trust Agreement confers upon or gives or grants to the Certificate Insurer any right, remedy or claim under or by reason of the Trust Agreement, the Certificate Insurer is thereby explicitly recognized as being a third-party beneficiary thereunder and may enforce any such right remedy or claim conferred, given or granted thereunder.

#### Subrogation by Certificate Insurer

In the event that the principal and/or interest due with respect to the Certificates will be paid by the Certificate Insurer pursuant to the Certificate Insurance Policy, the Certificates will remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, and the assignment and pledge of the Base Rental Payments and all covenants, agreements and other obligations of the District to the Owners will continue to exist and will run to the benefit of the Certificate Insurer, and the Certificate Insurer will be subrogated to the rights of such Owners.

#### Determinations by Trustee

In determining whether the rights of the Owners of the Certificates will be adversely affected by any action taken pursuant to the terms and provisions of the Trust Agreement, the Trustee shall consider the effect on the owners of the Certificates as if there were no Certificate Insurance Policy.

#### Discharge of Certificates and Trust Agreement

If the District pays or causes to be paid or there is otherwise paid to the Owners of all Outstanding Certificates the interest and principal and premium, if any, represented thereby at the times and in the manner stipulated in the Trust Agreement, then such Owners will cease to be entitled to the pledge of and lien on the Base Rental Payments as provided in the Trust Agreement, and all agreements and covenants of the Corporation, the District and the Trustee to such Owners under the Trust Agreement will thereupon cease, terminate and become void and will be discharged and satisfied, provided, that the rights of the Trustee under certain provisions of the Trust Agreement and the obligation of the Corporation and the District to compensate and indemnify the Trustee under such provisions will survive such satisfaction and discharge.

Any Outstanding Certificates will be deemed to have been paid within the meaning of and with the effect expressed in the above paragraph if there is irrevocably deposited with the Trustee Defeasance Securities in an amount sufficient (together with the increment, earnings and interest on such securities) to pay the interest and principal and premium, if any, represented by such Certificates payable on their Certificate Payment Dates or on any dates of prepayment prior thereto, except that the Owners thereof will be entitled to the principal, premium and

interest represented by such Certificates, and the District will remain liable for such Base Rental Payments, but only out of such moneys or securities deposited with the Trustee for such payment.

#### Investments

Any moneys held by the Trustee in the Base Rental Payment Fund, the Certificate Reserve Fund, the Acquisition and Construction Fund, or in the Trust Administration Fund will be invested as directed by the District in a Written Request of the District by the Trustee in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement under the Trust Agreement or under the Facilities Sublease. In the absence of such Written Request, the Trustee shall invest in Permitted Investments consisting of money market funds as described in clause (5) of the definition thereof.

#### Continuing Disclosure

The District and the Trustee covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the District or the Trustee to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Certificates, shall) or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District or the Trustee, as the case may be, to comply with its continuing disclosure obligations. For purposes of this paragraph, "Beneficial Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries).

APPENDIX C

EXCERPTS FROM THE DISTRICT'S 2004-05 AUDITED FINANCIAL STATEMENTS

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**WINDSOR UNIFIED SCHOOL DISTRICT  
COUNTY OF SONOMA  
WINDSOR, CALIFORNIA**

**AUDIT REPORT.**

**JUNE 30, 2005**

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WINDSOR UNIFIED SCHOOL DISTRICT

JUNE 30, 2005

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WINDSOR UNIFIED SCHOOL DISTRICT

JUNE 30, 2005

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WINDSOR UNIFIED SCHOOL DISTRICT

JUNE 30, 2005

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FINANCIAL SECTION

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**STEPHEN ROATCH ACCOUNTANCY CORPORATION**  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Windsor Unified School District  
9291 Old Redwood Highway  
Building 500  
Windsor, CA 95492

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Windsor Unified School District, as of and for the fiscal 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 Windsor Unified School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Education Agencies 2004-05*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Windsor Unified School District, as of June 30, 2005, and the changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2005, on our consideration of the Windsor Unified School District's internal control over financial reporting and our tests of the District's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 and the budgetary comparison information on page 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting 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 an opinion on the financial statements that collectively comprise Windsor Unified School District's basic financial statements. The accompanying supplementary information, including the combining statements and individual fund financial schedules, the schedule of expenditures of federal awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining schedules listed in the table of contents, are presented for purposes of additional analysis as required by the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Education Agencies 2004-05*, and are not required parts of the basic financial statements of Windsor Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 21, 2005



**WINDSOR UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

This section of the Windsor Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 and 2, and the District's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities, presented on pages 14 through 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 22, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

**FINANCIAL HIGHLIGHTS**

- The District's financial status improved during the course of the year, as total net assets increased 3%.
- On the Statement of Activities, total current year revenues and special item gains exceeded total current year expenses by \$1,314,368.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balance, total current year expenditures and other uses exceeded total current year revenues and other sources by \$2,723,922.
- Capital assets, net of depreciation, increased \$3,944,423, due to the current year acquisition and/or construction of \$6,099,586 of new capital assets; the sale of land with a book value of \$26,195, and the current year recognition of \$2,128,968 of depreciation expense.
- Total long-term liabilities increased \$1,403,685, due primarily to accreted interest on the outstanding capital appreciation bonds, and increased obligations related to early retirement incentives and compensated absences.
- The District's P-2 ADA, exclusive of adult education ADA, increased from 4,440 ADA in fiscal year 2003-04, up to 4,551 ADA in fiscal year 2004-05, an increase of 2.5%.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2004-05, General Fund expenditures and other financing uses totaled \$33,014,007. At June 30, 2005, the District has available reserves of \$1,262,820 in the General Fund, which represents a reserve of 3.8%.

**WINDSOR UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

**THE FINANCIAL REPORT**

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and Management's Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
  - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
  - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.
  - ❖ Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

**Reporting the District as a Whole**

The District as a whole is reported in the Government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Assets. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position (net assets) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net assets of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

**WINDSOR UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

**THE FINANCIAL REPORT (CONCLUDED)**

**Reporting the District as a Whole (Concluded)**

*Governmental Activities:*

The basic services provided by the District, such as regular and special education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition are also included here, but are financed by a combination of local revenues and state and federal programs.

*Business-type Activities:*

The District does not provide any services that should be included in this category.

**Reporting the District's Most Significant Funds:**

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

*Governmental Funds*

The major governmental funds of the Windsor Unified School District are the General Fund, Bond Interest and Redemption Fund, Corporation Debt Service Fund, Capital Facilities Fund, and County School Facilities Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting 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 operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

*Proprietary Funds*

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has no funds of this type.

*Fiduciary Funds*

The District is the trustee, or fiduciary, for its scholarship and student activity funds. All of the District's fiduciary activities are reported in separate fiduciary statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**WINDSOR UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

**GOVERNMENTAL ACTIVITIES**

The District's net assets increased from \$38,404,028 at June 30, 2004, up to \$39,718,396 at June 30, 2005, an increase of 3%.

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2005</u>
<b><u>Assets</u></b>		
Cash	\$ 15,591,149	\$ 11,209,008
Receivables	2,660,449	2,693,257
Stores Inventory	14,660	11,817
Prepaid Expenses	27,971	1,465,919
Capital Assets, net	<u>65,576,425</u>	<u>69,520,848</u>
<b>Total Assets</b>	<u>83,870,654</u>	<u>84,900,849</u>
<b><u>Liabilities</u></b>		
Current	7,215,577	5,964,551
Long-term	<u>38,251,049</u>	<u>39,217,902</u>
<b>Total Liabilities</b>	<u>45,466,626</u>	<u>45,182,453</u>
<b><u>Net Assets</u></b>		
Invested in Capital Assets - Net of Related Debt	26,072,790	30,262,864
Restricted	11,165,167	7,923,673
Unrestricted	<u>1,166,071</u>	<u>1,531,859</u>
<b>Total Net Assets</b>	<u>\$ 38,404,028</u>	<u>\$ 39,718,396</u>

*Table includes financial data of the combined governmental funds*

**WINDSOR UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

The District's total current year revenues exceeded total current year expenses by \$1,314,368.

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2005</u>
<b><u>Program Revenues</u></b>		
Charges for Services	\$ 682,432	\$ 679,702
Operating Grants & Contributions	5,092,378	5,809,853
Capital Grants & Contributions	7,668,652	1,804,347
<b><u>General Revenues</u></b>		
Taxes Levied	15,291,901	13,529,469
Federal & State Aid	10,571,659	14,013,323
Interest & Investment Earnings	465,903	254,681
Transfers from Other Agencies	2,607,850	2,179,876
Miscellaneous	1,874,867	2,381,895
<b>Total Revenues</b>	<b>44,255,642</b>	<b>40,653,148</b>
<b><u>Expenses</u></b>		
Instruction	22,244,557	23,123,294
Instruction-Related Services	2,608,296	2,839,895
Pupil Services	2,739,161	2,984,470
General Administration	1,448,405	1,952,915
Plant Services	3,398,811	3,599,836
Ancillary Services	247,631	329,446
Community Services	11,587	18,941
Interest on Long-Term Debt	2,234,092	2,175,392
Other Outgo	2,922,338	2,488,396
<b>Total Expenses</b>	<b>37,854,878</b>	<b>39,512,585</b>
Excess Before Special Item	6,400,764	1,140,563
Special Item - Gain from Sale of Land	0	173,805
<b>Change in Net Assets</b>	<b>\$ 6,400,764</b>	<b>\$ 1,314,368</b>

*Table includes financial data of the combined governmental funds*

**WINDSOR UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

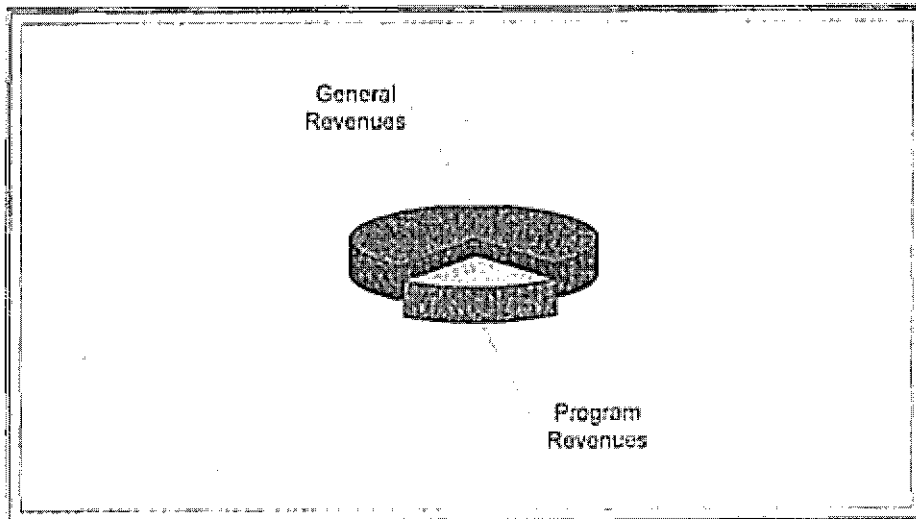
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2004</u>	<u>2005</u>		<u>2004</u>	<u>2005</u>	
	Instruction	\$ 22,244,557		\$ 23,123,294	3.95%	
Instruction-Related Services	2,038,298	2,839,695	39.8%	2,443,498	2,898,811	19.12%
Pupil Services	2,739,161	2,994,470	9.3%	1,192,661	1,350,005	13.2%
General Administration	1,448,405	1,952,915	34.6%	1,356,666	1,795,815	31.7%
Plant Services	3,398,811	3,589,838	5.6%	3,154,187	3,415,763	8.2%
Ancillary Services	247,631	329,448	33.0%	210,063	284,675	35.5%
Community Services	11,567	18,941	63.4%	11,567	18,941	63.4%
Interest on Long-Term Debt	2,234,092	2,175,392	(2.6%)	2,234,092	2,175,392	(2.6%)
Other Outgo	2,922,338	2,468,383	(14.8%)	2,922,338	2,488,261	(14.8%)
<b>Totals</b>	<b>\$ 37,854,878</b>	<b>\$ 39,512,585</b>	<b>4.3%</b>	<b>\$ 24,411,416</b>	<b>\$ 31,218,683</b>	<b>27.8%</b>

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$31,218,683 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed. Further detail is available on page 15 of the audit report.



Program revenues financed 21% of the total cost of providing the services listed above, while the remaining 79% was financed by the general revenues of the District.

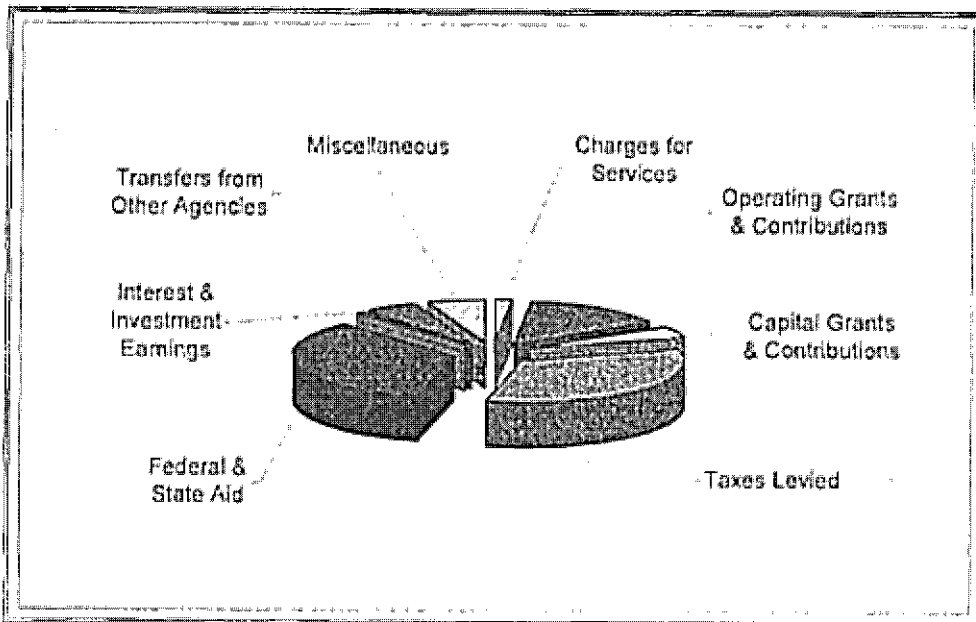
**WINDSOR UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

<b>Summary of Revenues For Governmental Functions</b>				
	<u>FYE 2004 Amount</u>	<u>Percent of Total</u>	<u>FYE 2005 Amount</u>	<u>Percent of Total</u>
<b>Program Revenues</b>				
Charges for Services	\$ 682,432	1.54%	\$ 679,702	1.67%
Operating Grants & Contributions	5,092,379	11.51%	5,809,853	14.29%
Capital Grants & Contributions	7,688,652	17.33%	1,804,347	4.44%
<b>General Revenues</b>				
Taxes Levied	15,291,901	34.85%	13,529,489	33.28%
Federal & State Aid	10,571,659	23.89%	14,013,323	34.47%
Interest & Investment Earnings	465,903	1.05%	254,681	0.63%
Transfers from Other Agencies	2,607,850	5.89%	2,179,878	5.36%
Miscellaneous	1,874,867	4.24%	2,381,895	5.86%
<b>Total Revenues</b>	<b>\$ 44,255,642</b>	<b>100.00%</b>	<b>\$ 40,653,148</b>	<b>100.00%</b>

*Table includes financial data of the combined governmental funds*



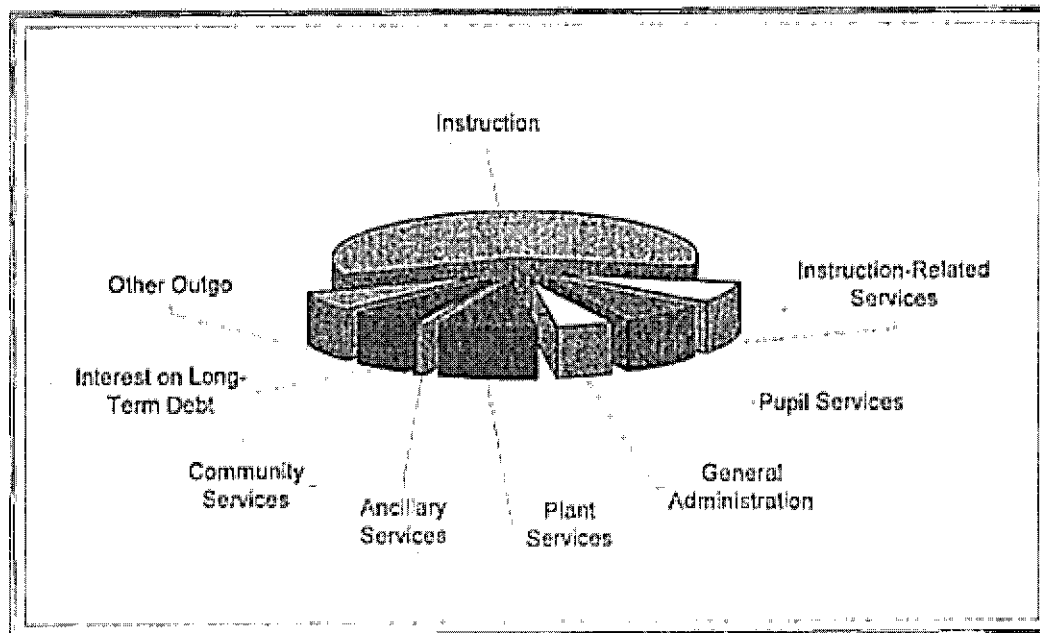
**WINDSOR UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

<b><u>Schedule of Expenses For Governmental Functions</u></b>				
<u>Expenses</u>	<u>FYE 2004 Amount</u>	<u>Percent of Total</u>	<u>FYE 2005 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 22,244,557	59.76%	\$ 23,123,294	58.52%
Instruction-Related Services	2,609,296	6.89%	2,839,895	7.19%
Pupil Services	2,739,161	7.24%	2,984,470	7.55%
General Administration	1,448,405	3.83%	1,952,915	4.94%
Plant Services	3,398,811	8.99%	3,599,838	9.11%
Ancillary Services	247,531	0.65%	329,445	0.83%
Community Services	11,587	0.03%	18,941	0.05%
Interest on Long-Term Debt	2,234,092	5.90%	2,175,392	5.51%
Other Outgo	2,922,338	7.72%	2,488,396	6.30%
<b>Total Expenses</b>	<b>\$ 37,854,878</b>	<b>100.00%</b>	<b>\$ 39,512,585</b>	<b>100.00%</b>

*Table includes financial data of the combined governmental funds*





**WINDSOR UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

<b>Comparative Schedule of Capital Assets</b>		
	Governmental Activities	
	2004	2005
Land	\$ 7,829,505	\$ 7,803,310
Sites and Improvements	8,092,648	8,216,850
Buildings and Improvements	50,843,907	54,981,375
Furniture and Equipment	1,644,813	1,714,818
Work-in-Progress	13,162,541	14,930,452
Subtotals	81,573,414	87,646,805
Less: Accumulated Depreciation	(15,996,989)	(18,125,957)
Capital Assets, net	<u>\$ 65,576,425</u>	<u>\$ 69,520,848</u>

Capital assets, net of depreciation, increased \$3,944,423, due to the current year acquisition and/or construction of \$6,099,586 of new capital assets; the sale of land with a book value of \$26,195, and the current year recognition of \$2,128,968 of depreciation expense.

<b>Comparative Schedule of Long-Term Liabilities</b>		
	Governmental Activities	
	2004	2005
Compensated Absences	\$ 78,076	\$ 98,669
General Obligation Bonds	32,962,671	34,479,829
Capital Leases	670,790	575,533
Certificates of Participation	5,535,000	5,365,000
Other Post Employment Benefits	591,042	722,233
Totals	<u>\$ 39,837,579</u>	<u>\$ 41,241,264</u>

Total long-term liabilities increased \$1,403,685, due primarily to accreted interest on the outstanding capital appreciation bonds, and increased obligations related to early retirement incentives and compensated absences.

**WINDSOR UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONCLUDED)**

**GOVERNMENTAL ACTIVITIES (CONCLUDED)**

The general obligation bonds are financed by the local taxpayers and represent 84% of the District's total long-term liabilities. The certificates of participation are financed by developer fees and represent 13% of the District's total outstanding debt. The District has satisfied all of its debt service requirements during the past year and continues to maintain an excellent credit rating on all of its debt issues.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

**FINANCIAL ANALYSIS OF DISTRICT'S FUNDS**

<b><u>Comparative Schedule of Fund Balances</u></b>			
	<u>Fund Balances June 30, 2004</u>	<u>Fund Balances June 30, 2005</u>	<u>Increase (Decrease)</u>
General	\$ 2,132,821	\$ 2,844,045	\$ 711,224
Deferred Maintenance	281,176	265,353	(15,823)
Cafeteria	119,976	58,940	(61,035)
Adult Education	87,529	104,834	17,305
Bond Interest & Redemption	3,079,975	2,995,778	(84,198)
Corporation Debt Service	37,783	38,528	845
Capital Facilities	1,465,660	2,012,968	547,308
Building	4	4	0
Special Reserve	62,819	265,007	202,188
County School Facilities	5,732,617	1,690,881	(4,041,736)
<b>Totals</b>	<b>\$ 13,000,360</b>	<b>\$ 10,276,438</b>	<b>\$ (2,723,922)</b>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time.

**WINDSOR UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

- All current State-funded construction projects will be completed during fiscal year 2005-06. In addition, the District is looking at the feasibility of developing an Alternative Education Center.
- Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. The District budgeted an increase of 63 ADA; however, the District currently expects an increase of 100 ADA during fiscal year 2005-06.
- The State's economic situation is another major factor affecting the District's future. The financial well being of the District is tied in large measure to the state funding formula. While the State's current year budget does not fully address its budget problems, the Governor's Budget Proposal for 2006-07 does include funding increases for K-12 education that, if realized, will provide the District with additional funding in 2006-07.
- The current economic forecast is cautiously optimistic. Management is planning carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Windsor Unified School District, 9291 Old Redwood Highway, Building 500, Windsor, California 95492.

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash (Note 2)	\$ 11,209,008
Receivables (Note 4)	2,693,257
Stores Inventory (Note 11)	11,817
Prepaid Expenses (Note 11)	1,465,919
Capital Assets (Note 6):	
Land	7,803,310
Sites and Improvements	8,216,850
Buildings and Improvements	54,981,375
Furniture and Equipment	1,714,818
Work-in-Progress	14,930,452
Less: Accumulated Depreciation	(18,125,957)
<b>Total Assets</b>	<b>84,900,849</b>
<b><u>Liabilities</u></b>	
Accounts Payable and Other Current Liabilities	3,614,885
Deferred Revenue (Note 11)	326,304
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
General Obligation Bonds	1,590,830
Capital Leases	83,597
Certificates of Participation	175,000
Other Post Employment Benefits	174,135
<i>Portion Due or Payable After One Year:</i>	
Compensated Absences (Note 11)	98,669
General Obligation Bonds (Note 7)	32,889,199
Capital Leases (Note 8)	491,936
Certificates of Participation (Note 9)	5,190,000
Other Post Employment Benefits (Note 10)	548,098
<b>Total Liabilities</b>	<b>45,182,453</b>
<b><u>Net Assets</u></b>	
Investment in Capital Assets, Net of Related Debt	30,262,864
Restricted:	
For Capital Projects	3,968,856
For Debt Service	3,034,408
For Educational Programs	898,658
For Other Purposes	21,753
Unrestricted	1,531,859
<b>Total Net Assets</b>	<b>\$ 39,718,396</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**WINDSOR UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b><u>Governmental Activities</u></b>					
Instruction	\$ 23,123,294	\$ 35,806	\$ 4,233,939	\$ 1,804,347	\$ (17,046,202)
Instruction-Related Services:					
Supervision of Instruction	378,044	2,049	77,964		(298,031)
Instructional Library, Media, Technology	377,647		7,583		(370,064)
School Site Administration	2,084,204		61,488		(2,022,716)
Pupil Services:					
Home-to-School Transportation	682,666	35,853	396,540		(250,273)
Food Services	1,285,006	572,911	631,539		(80,556)
Other Pupil Services	1,016,798		47,022		(969,776)
General Administration:					
Data Processing	54,017				(54,017)
Other General Administration	1,899,899	32,083	125,019		(1,741,796)
Plant Services	3,599,835		184,073		(3,415,763)
Ancillary Services	329,446		44,571		(284,875)
Community Services	18,941				(18,941)
Interest on Long-Term Debt	2,175,392				(2,175,392)
Other Outgo	2,488,396		115		(2,488,281)
<b>Total Governmental Activities</b>	<b>\$ 39,512,585</b>	<b>\$ 679,702</b>	<b>\$ 5,809,853</b>	<b>\$ 1,804,347</b>	<b>(31,218,693)</b>
<b><u>General Revenues</u></b>					
Taxes Levied for General Purposes					11,838,759
Taxes Levied for Debt Service					1,690,710
Federal and State Aid - Unrestricted					14,013,323
Interest and Investment Earnings					254,681
Transfers from Other Agencies					2,179,878
Miscellaneous					2,381,895
<b>Total General Revenues</b>					<b>32,359,246</b>
<b><u>Special Item</u></b>					
Gain from Sale of Land					173,605
Change in Net Assets					1,314,368
Net Assets - July 1, 2004					38,404,028
Net Assets - June 30, 2005					<b>\$ 39,718,396</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**WINDSOR UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>General Fund</u>		<u>Bond Interest and Redemption Fund</u>
	<u>Non-Charter School Fund</u>	<u>Charter School Fund</u>	
<b><u>Assets</u></b>			
Cash in County Treasury (Note 2)	\$ 2,815,993	\$ 202,091	\$ 2,995,778
Cash on Hand and in Banks			
Cash in Revolving Fund	2,750		
Cash with Fiscal Agent			
Accounts Receivable (Note 4)			
Federal Government	135,150	260,608	
State Government	1,208,601	342,148	
Local Governments	330,788	2,148	
Interest	1,217	7,345	
Miscellaneous	125,254	45,641	
Due from Other Funds (Note 5)	353,899	649,475	
Stores Inventory (Note 1)			
Prepaid Expenditures (Note 1)	7,185		
<b>Total Assets</b>	<b><u>\$ 4,980,838</u></b>	<b><u>\$ 1,509,454</u></b>	<b><u>\$ 2,995,778</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 2,099,259	\$ 366,044	
Due to Other Funds (Note 5)	646,672	207,968	
Deferred Revenue (Note 1)	292,697	33,607	
<b>Total Liabilities</b>	<b><u>3,038,628</u></b>	<b><u>607,619</u></b>	
<b>Fund Balances: (Note 12)</b>			
Reserved	806,168	102,426	\$ 2,995,778
Unreserved:			
Designated	1,136,042	527,009	
Undesignated		272,400	
<b>Total Fund Balances</b>	<b><u>1,942,210</u></b>	<b><u>901,835</u></b>	<b><u>2,995,778</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 4,980,838</u></b>	<b><u>\$ 1,509,454</u></b>	<b><u>\$ 2,995,778</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

<u>Corporation Debt Service Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$ 2,073,494	\$ 2,092,020	\$ 699,689	\$ 10,879,065
			1,120	1,120
\$ 38,628		287,445		2,750
			111,645	326,073
			20,479	507,403
	88,817			1,571,228
			13,418	332,934
			79,037	8,562
			11,817	273,130
				1,082,411
				11,817
				7,186
<u>\$ 38,628</u>	<u>\$ 2,162,311</u>	<u>\$ 2,379,465</u>	<u>\$ 937,205</u>	<u>\$ 15,003,679</u>
	\$ 110,622	\$ 688,584	\$ 54,017	\$ 3,318,526
	38,721		189,050	1,082,411
				326,304
	<u>149,343</u>	<u>688,584</u>	<u>243,067</u>	<u>4,727,241</u>
\$ 38,628			11,817	3,854,817
	2,012,968	1,690,881	682,321	1,663,051
38,628	2,012,968	1,690,881	684,138	4,658,570
<u>\$ 38,628</u>	<u>\$ 2,162,311</u>	<u>\$ 2,379,465</u>	<u>\$ 937,205</u>	<u>\$ 15,003,679</u>

**WINDSOR UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

**Total Fund Balances - Governmental Funds** **\$ 10,276,438**

Amounts reported for governmental activities in the statement of net assets are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$87,646,805, and the accumulated depreciation is \$18,125,957. 69,520,848

Unamortized costs: In governmental funds, bond discounts, bond refunding, and debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, bond discounts, bond refunding, and debt issuance costs are amortized over the life of the debt. Unamortized bond discounts, bond refunding, and debt issuance costs at year end consist of:

Deferred Charges - Bond Discounts	\$ 214,209	
Deferred Charges - Bond Refunding	1,069,678	
Deferred Charges - Cost of Issuance	175,846	
		1,459,733

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Compensated Absences	\$ 93,609	
General Obligation Bonds:		
Current Interest	15,770,000	
Capital Appreciation	18,709,829	
Capital Leases	575,533	
Certificates of Participation	5,365,000	
Other Post Employment Benefits	722,233	
		(41,241,264)

Unmatured interest on long-term debt: In governmental funds, interest is not recognized until the period in which it matures and is paid. In the government-wide statements of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owed at the end of the period was: (295,359)

**Total Net Assets - Governmental Activities** **\$ 39,718,396**





**WINDSOR UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>		<u>Bond Interest and Redemption Fund</u>
	<u>Non-Charter School Fund</u>	<u>Charter School Fund</u>	
<b><u>Revenues</u></b>			
Revenue Limit Sources:			
State Apportionment	\$ 9,750,770	\$ 1,960,115	
Local Taxes	11,512,516		
<b>Total Revenue Limit Sources</b>	<b>21,263,286</b>	<b>1,960,115</b>	
Federal Revenue	1,037,726	535,576	
State Revenue	3,264,277	959,621	\$ 20,446
Local Revenue	2,205,685	2,450,224	1,721,377
<b>Total Revenues</b>	<b>27,770,974</b>	<b>5,915,536</b>	<b>1,741,823</b>
<b><u>Expenditures</u></b>			
Instruction	17,408,732	4,231,513	
Supervision of Instruction	352,665	2,284	
Instructional Library and Technology	323,368	31,208	
School Site Administration	1,547,155	407,971	
Home-To-School Transportation	640,961		
Food Services			
Other Pupil Services	894,106	60,674	
Data Processing Services	50,717		
Other General Administration	1,329,607	39,495	
Plant Services	2,571,319	260,034	
Facilities Acquisition and Construction	39,444		
Ancillary Services	281,757	27,563	
Community Services	17,783		
Debt Service:			
Principal Retirement	16,003		15,038,476
Interest and Issuance Costs	20,883		2,167,545
Other Outgo	2,456,672		
Indirect/Direct Support Costs	(691,766)	691,766	
<b>Total Expenditures</b>	<b>27,259,403</b>	<b>5,752,408</b>	<b>17,206,021</b>
Excess of Revenues Over (Under) Expenditures	511,568	163,128	(15,464,198)
<b><u>Other Financing Sources (Uses)</u></b>			
Operating Transfers In	38,721		
Operating Transfers Out	(2,193)		
Other Sources			15,390,000
<b>Total Other Financing Sources (Uses)</b>	<b>36,528</b>	<b>0</b>	<b>15,390,000</b>
<b>Net Change in Fund Balances</b>	<b>548,090</b>	<b>163,128</b>	<b>(84,198)</b>
Fund Balances - July 1, 2004	1,394,114	738,707	3,079,976
Fund Balances - June 30, 2005	<b>\$ 1,942,210</b>	<b>\$ 901,835</b>	<b>\$ 2,995,778</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

<u>Corporation Debt Service Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
			\$ 72,802	\$ 11,783,587
				11,512,516
			72,802	23,296,203
			619,535	2,192,837
		\$ 1,702,012	209,883	6,166,239
\$ 845	\$ 1,876,727	102,335	640,676	8,997,869
<u>845</u>	<u>1,876,727</u>	<u>1,804,347</u>	<u>1,542,898</u>	<u>40,653,148</u>
			70,410	21,710,655
				354,949
				354,576
			1,751	1,956,877
				640,951
			1,206,503	1,206,503
				954,880
				50,717
	186,978		75,027	1,631,107
	380,642	27,556	176,734	3,416,285
	133,218	5,818,527	72,029	6,063,218
				309,320
				17,783
170,000	79,254			15,303,733
280,935	59,671			2,529,034
				2,456,672
<u>450,935</u>	<u>839,763</u>	<u>5,846,083</u>	<u>1,602,454</u>	<u>58,957,070</u>
(450,090)	1,038,964	(4,041,736)	(59,558)	(18,303,922)
450,935	(489,656)		2,193	491,849
				(491,849)
			200,000	15,580,000
<u>450,935</u>	<u>(489,656)</u>	<u>0</u>	<u>202,193</u>	<u>15,580,000</u>
845	547,308	(4,041,736)	142,635	(2,723,922)
37,783	1,465,660	5,732,617	551,503	13,000,350
<u>\$ 38,628</u>	<u>\$ 2,012,969</u>	<u>\$ 1,690,881</u>	<u>\$ 694,138</u>	<u>\$ 10,278,438</u>

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**Net Change in Fund Balances - Governmental Funds** **\$ (2,723,922)**

Amounts reported for governmental activities in the statement of activities are different due to the following:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities these costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. The amount that capital outlay expenditures exceeded depreciation during the year was:

Capital Outlays	\$ 6,099,586	
Depreciation Expense	(2,128,968)	
		3,970,618

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premiums, were: (15,350,000)

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain is: (26,195)

In the statement of activities, certain operating expenses-compensated absences (vacations), and post employment benefits are measured by the amounts earned during the fiscal year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the amounts that earned exceeded the amounts used by: (151,784)

Bond discount, bond refunding, and debt issue costs are recognized as expenditures in the period they are incurred in governmental funds. In the government-wide statements, these costs are amortized over the life of the debt. The difference between discounts, refunding, and debt issue costs recognized in the current period and discounts, refunding, and issue costs amortized for the period are:

Bond Discounts	\$ 219,758	
Bond Refunding	1,099,365	
Cost of Issuance	180,401	
Bond Discounts Amortized	(5,549)	
Bond Refunding Amortized	(27,689)	
Cost of Issuance Amortized	(4,556)	
		1,458,733

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

General Obligation Bonds		
Current Interest	\$ 11,335,000	
Capital Appreciation	3,703,476	
Capital Leases	95,257	
Certificates of Participation	170,000	
		15,303,733

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The amount that accrued interest on outstanding general obligation bonds decreased during the year was: 38,819

Accreted interest on capital appreciation bonds is not recognized as an expenditure in the governmental fund financial statements until paid. In the statement of activities, however, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current year was: (1,175,634)

**Change in Net Assets of Governmental Activities** **\$ 1,314,368**

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2005**

	Private-Purpose Trust		Total Fiduciary Funds
	Scholarship Funds	Agency Funds	
<b><u>Assets</u></b>			
Cash in County Treasury (Note 2)	\$ 139,019		\$ 139,019
Cash on Hand and in Banks		\$ 320,255	320,255
<b>Total Assets</b>	<b>139,019</b>	<b>320,255</b>	<b>459,274</b>
<b><u>Liabilities</u></b>			
Accounts Payable	700		700
Due to Student Groups		320,255	320,255
<b>Total Liabilities</b>	<b>700</b>	<b>320,255</b>	<b>320,955</b>
<b><u>Net Assets</u></b>			
Restricted	138,319	0	138,319
<b>Total Net Assets</b>	<b>\$ 138,319</b>	<b>\$ 0</b>	<b>\$ 138,319</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

WINDSOR UNIFIED SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Private-Purpose Trust
	Scholarship Funds
<b><u>Additions</u></b>	
Interest	\$ 3,141
Total Additions	3,141
<b><u>Deductions</u></b>	
Scholarships Awarded	2,850
Total Deductions	2,850
Change in Net Assets	291
<b><u>Net Assets</u></b>	
Net Assets - July 1, 2004	138,028
Net Assets - June 30, 2005	\$ 138,319

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

WINDSOR UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that the following represent component units:

The District and the Windsor Unified School District Facilities Corporation (the "Corporation") have a financial and operational relationship, which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation as a component unit of the District.

Accordingly, the financial activities of the Corporation have been included in the accompanying financial statements of the District.

The following are those aspects of the relationships between the District and the Corporation, which satisfy the inclusion criteria:

Accountability for Fiscal Matters

- The Board of Directors for the Corporation are appointed by the District's Board.
- The Corporation has no employees or members. The District's Chief Business Officer functions as the agent of the Corporation and receives no additional compensation for work performed in this capacity.
- The District's Board exercises significant influence over operations of the Corporation. It is anticipated that the Board of the District will be the sole lessee of all facilities owned by the Corporation.
- All major financing arrangements, contracts, and financial transactions of the Corporation must have the consent of the District.
- The property, assets, profits, and net revenues of the Corporation are irrevocably dedicated to the District, subject to the indebtedness of the Corporation.
- Any deficits incurred by the Corporation will be reflected in the lease payments of the District.
- The District has assumed a "moral obligation" and potentially a legal obligation for any debt incurred by the Corporation.

WINDSOR UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Concluded)

Scope of Public Service

The Corporation is a nonprofit, public benefit corporation, incorporated under the laws of the State of California and recorded by the Secretary of State in 1998. The Corporation was formed for the sole purpose of providing financial assistance to the Windsor Unified School District for finance, refinance, acquisition, construction, improvement, lease and sales of public facilities and real and personal property. The District intends to occupy all Corporation facilities/property under lease-purchase agreements effective through the year 2024. At the end of the lease term, title of all Corporate property will pass to the District for no additional consideration.

Financial Presentation

For financial presentation purposes, the financial activities of the Corporation have been blended with the financial data of the District.

The debt service activities of the Corporation are included in the Corporation Debt Service Fund, and the certificates of participation issued by the Corporation are reported as a long-term liability in the Statement of Net Assets.

C. Basis of Presentation

*Government-wide Financial Statements:*

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.



WINDSOR UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

*Fund Financial Statements:*

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

*Revenues – Exchange and Non-exchange Transactions:*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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 collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

WINDSOR UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

Deferred Revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund. The financial activities of the General Fund have been divided into two separate columns on the Governmental Funds – Balance Sheet; and the Statement of Revenues, Expenditures, and Changes in Fund Balances. The first column reflects the non-charter school financial activities of the General Fund, and the second column reflects the financial activities of the Cali Calmecac Charter School, which is operated by the District. This presentation has been included to separately identify the financial activities and balances of each of the components that make up the General Fund.

The *Bond Interest and Redemption Fund* is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

The *Corporation Debt Service Fund* is used to account for the accumulation of resources, and payment of interest and redemption of principal for Certificates of Participation issued by the Windsor Unified School District Facilities Corporation.

WINDSOR UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

Major Governmental Funds (Concluded):

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

The *County School Facilities Fund* is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

Non-major Governmental Funds:

*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 three non-major special revenue funds:

1. The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.
2. The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeteria program.
3. The *Adult Education Fund* is used to account for resources committed to adult education programs maintained by the District.

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

1. The *Building Fund* is used to account for the proceeds from General Obligation Bonds, Election of 1994, Series A and expenditures to construct the new high school and middle school.
2. The *Special Reserve Fund* is used to accumulate resources for special projects including the Windsor Creek Elementary School modernization project and acquisition of furniture and equipment for all school sites.

Fiduciary Funds:

*Private-Purpose Trust Funds* are used to account for assets held by the District as trustee. The District maintains one trust fund, the Scholarship fund, which is used to provide financial assistance to students of the District.

*Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains seven agency funds to account for student body activities at each school site.

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information on page 47.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (See Note 3).

**G. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**H. Encumbrances**

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

**I. Assets, Liabilities and Equity**

**1. Deposits and Investments**

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation (FDIC).

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

The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

The District did not directly enter into any derivative investments. Information relating to the use of derivative investments by the Sonoma County Treasury was not available.

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Assets, Liabilities and Equity (Continued)**

**2. Inventories and Prepaid Expenditures**

Inventory is recorded using the purchase method in that the cost (handling charge for state surplus food) is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at average cost and consists of expendable supplies held for consumption.

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

Reported inventories and prepaid expenditures are equally offset by a net assets reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

**3. Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	12-30
Buildings and Improvements	20-45
Furniture and Equipment	5-10

**4. Deferred Revenue**

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Deferred revenue includes the premiums associated with the bonds issued in the current year, when applicable, which are amortized over the life of the bond obligation.

**5. Compensated Absences**

All vacation pay is accrued when incurred in the government-wide financial statements.

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

WINDSOR UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Assets, Liabilities and Equity (Concluded)

6. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs, when applicable, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The County of Sonoma is responsible for assessing, collecting and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 15 and March 15, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the applicable attendance period ADA to derive the District's total entitlement.

WINDSOR UNIFIED SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 2 - CASH AND INVESTMENTS**

Policies and Practices

The District is considered to be an involuntary participant in an external investment pool since it is required to deposit all receipts and collections of monies with the County Treasury (Education Code Section 41001).

The District and County Treasury are authorized and restricted by Government Code Section 53635 pursuant to Section 53601 to invest in local agency bonds or notes; U.S. Treasury bonds or notes; U.S. government securities; state registered warrants, bonds or notes; State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

The District is also authorized to maintain deposits with certain financial institutions that are federally insured up to \$100,000.

Cash in County Treasury

The District maintains substantially all of its cash with the Sonoma County Treasury as part of the common investment pool. The Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned to the funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments. These pooled funds are carried at cost, which approximates fair value. These pooled funds are also considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

Cash in Banks and in Revolving Fund

The District maintains cash balances within various financial institutions. All cash held by these financial institutions is fully insured or collateralized.

Derivative Investments

The District did not directly enter into any derivative investments. Information relating to the use of derivative investments by the County was not available.

Cash Balances

Cash at June 30, 2005 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 10,879,065	\$ 139,019
Deposits:		
Cash on Hand and in Banks	1,120	320,255
Cash in Revolving Fund	2,750	
Cash with Fiscal Agent	<u>275,814</u>	
Total Cash	<u>\$ 11,158,749</u>	<u>\$ 459,274</u>

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)**

Cash with Fiscal Agent

Cash with Fiscal Agent includes \$38,628 held by US Bank as trustee, for future payment of interest and redemption of principal related to certificates of participation, and \$287,445 held in various escrow accounts, which will be released to contractors at the completion of building projects at Windsor High School and Cali Caimecac Charter School.

**NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

As of June 30, 2005 expenditures exceeded appropriations in individual funds as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Capital Outlay	\$ 2,655
Cafeteria Fund:	
Other Expenditures	31,849
Adult Education Fund:	
Other Expenditures	1,169
Bond Interest and Redemption Fund:	
Debt Service - Interest and Fiscal Charges	1,248
Corporation Debt Service Fund:	
Debt Service - Principal Retirement	170,000
Debt Service - Interest and Fiscal Charges	280,935

The District incurred unanticipated expenditures in excess of appropriations for which the budget was not revised. The District does not adopt a budget for Corporation Debt Service Fund.

**NOTE 4 - RECEIVABLES**

Accounts receivable at June 30, 2005, consist of the following:

	<u>General Fund</u>		<u>Capital Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
	<u>Non-Charter School Fund</u>	<u>Charter School Fund</u>			
Federal Government Categorical Programs	\$ 135,150	\$ 260,608		\$ 111,645	\$ 507,403
State Government					
State Aid	568,597	277,368		13,323	859,288
Categorical Programs	162,485	19,685		7,155	189,325
Lottery	185,935	45,095			231,030
Other Allowances	291,584				291,584
Total State	1,208,601	342,148		20,479	1,571,228
Local Governments	330,788	2,146			332,934
Interest	1,217	7,345			8,562
Miscellaneous	125,264	45,641	\$ 88,817	13,418	273,130
Totals	<u>\$ 1,801,010</u>	<u>\$ 657,888</u>	<u>\$ 88,817</u>	<u>\$ 145,542</u>	<u>\$ 2,693,257</u>



**WINDSOR UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 5 - INTERFUND TRANSACTIONS**

**A. Due From/Due To Other Funds**

Individual fund interfund receivable and payable balances at June 30, 2005 are as follows:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General – Non-Charter School	\$ 353,899	\$ 646,672
General – Charter School	649,475	207,968
Deferred Maintenance		65,506
Cafeteria	7,943	100,430
Adult Education	5,588	23,114
Capital Facilities		38,721
Special Reserve	<u>65,506</u>	
Totals	<u>\$ 1,082,411</u>	<u>\$ 1,082,411</u>

**B. Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2004-05 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General – Non-Charter School	\$ 38,721	\$ 2,193
Deferred Maintenance	2,193	
Corporation Debt Service	450,935	
Capital Facilities		<u>489,656</u>
Totals	<u>\$ 491,849</u>	<u>\$ 491,849</u>

Transfer of \$2,193 from the General – Non-Charter School Fund to the Deferred Maintenance Fund to match state allocation.

Transfer of \$450,935 from the Capital Facilities Fund to the Corporation Debt Service Fund for debt service payments on the outstanding certificates of participation.

Transfer of \$38,721 from the Capital Facilities Fund to the General – Non-Charter Fund for 3% administrative fee.

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

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

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Land	\$ 7,829,505		\$ 26,195	\$ 7,803,310
Sites and Improvements	8,092,648	\$ 124,202		8,216,850
Buildings and Improvements	50,843,907	4,137,468		54,981,375
Furniture and Equipment	1,644,813	70,005		1,714,818
Work-in-Progress	<u>13,162,541</u>	<u>5,856,356</u>	<u>4,088,445</u>	<u>14,930,452</u>
Totals at Historical Cost	<u>81,573,414</u>	<u>10,188,031</u>	<u>4,114,640</u>	<u>87,646,805</u>
Less Accumulated Depreciation for:				
Sites and Improvements	3,434,600	510,199		3,944,799
Buildings and Improvements	11,122,766	1,580,925		12,703,711
Furniture and Equipment	<u>1,439,803</u>	<u>37,844</u>		<u>1,477,447</u>
Total Accumulated Depreciation	<u>15,996,969</u>	<u>2,128,968</u>	<u>0</u>	<u>18,125,957</u>
Governmental Activities Capital Assets, net	<u>\$ 65,576,425</u>	<u>\$ 8,059,063</u>	<u>\$ 4,114,640</u>	<u>\$ 69,520,848</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$ 1,412,639
Supervision of Instruction	23,095
Instructional Library, Media and Technology	23,071
School Site Administration	127,327
Home-To-School Transportation	41,705
Food Services	78,503
Other Pupil Services	62,118
Data Processing Services	3,300
Other General Administration	116,007
Plant Services	219,920
Ancillary Services	20,126
Community Services	<u>1,157</u>
Total Depreciation Expense	<u>\$ 2,128,968</u>

**NOTE 7 - GENERAL OBLIGATION BONDS**

In February 2005, the District issued general obligation bonds in the amount of \$15,380,000, with interest rates from 2.5% to 4.75%. The proceeds from the sale of the bonds were used for the advance refunding and defeasement of a portion of outstanding Election of 1994, Series 1994A, and Series 1996 general obligation bonds, and to pay the costs in connection with the issuance of the bonds.

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)**

The outstanding general obligation debt of the District as of June 30, 2005 is as follows:

**A. Current Interest Bond**

<u>Year of Issue</u>	<u>Interest Rate %</u>	<u>Year of Maturity</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2004</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2005</u>
1994	4.5-6.05	2011	\$ 7,250,000	\$ 5,970,000		\$ 5,970,000	\$ 0
1996	5.0-8.0	2022	6,725,000	5,755,000		5,365,000	390,000
2005	2.5-4.75	2022	<u>15,380,000</u>	<u>0</u>	<u>\$ 15,380,000</u>	<u>0</u>	<u>15,380,000</u>
<b>Totals</b>			<b>\$ 29,355,000</b>	<b>\$ 11,725,000</b>	<b>\$ 15,380,000</b>	<b>\$ 11,335,000</b>	<b>\$ 15,770,000</b>

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2005, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 695,000	\$ 305,196	\$ 1,000,196
2007	640,000	572,968	1,212,968
2008	615,000	554,667	1,169,667
2009	565,000	536,218	1,101,218
2010	465,000	520,680	985,680
2011-2015	2,045,000	2,410,263	4,455,263
2016-2020	2,885,000	2,029,124	4,914,124
2021-2025	<u>7,860,000</u>	<u>483,337</u>	<u>8,343,337</u>
<b>Totals</b>	<b>\$ 15,770,000</b>	<b>\$ 7,412,453</b>	<b>\$ 23,182,453</b>

**B. Capital Appreciation Bonds**

<u>Year of Issue</u>	<u>Interest Rate %</u>	<u>Year of Maturity</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2004</u>	<u>Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2005</u>
1994	4.65-6.35	2014	\$ 5,054,751	\$ 6,925,003	\$ 401,386	\$ 500,000	\$ 6,826,389
1996	4.75-6.00	2020	<u>9,470,240</u>	<u>14,312,668</u>	<u>774,248</u>	<u>3,203,476</u>	<u>11,883,440</u>
<b>Totals</b>			<b>\$ 14,525,001</b>	<b>\$ 21,237,671</b>	<b>\$ 1,175,634</b>	<b>\$ 3,703,476</b>	<b>\$ 18,709,829</b>

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)**

**B. Capital Appreciation Bonds (Continued)**

The outstanding obligation for the 1994 Series A capital appreciation bonds at June 30, 2005, is as follows:

<u>Maturity Year</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Outstanding June 30, 2005</u>
2006	5.75	\$ 321,612	\$ 275,399	\$ 597,011
2007	5.85	350,420	307,002	657,422
2008	5.95	373,304	334,515	707,819
2009	6.05	390,699	357,993	748,692
2010	6.15	403,080	377,561	780,641
2011-2015	6.20-6.35	<u>1,700,038</u>	<u>1,634,766</u>	<u>3,334,804</u>
Totals		<u>\$ 3,539,153</u>	<u>\$ 3,287,236</u>	<u>\$ 6,826,389</u>

The annual requirements to amortize the 1994 Series A capital appreciation bonds at June 30, 2005, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2006	\$ 321,612	\$ 278,388	\$ 600,000
2007	350,420	349,580	700,000
2008	373,304	426,696	800,000
2009	390,699	509,301	900,000
2010	403,080	596,920	1,000,000
2011-2015	<u>1,700,038</u>	<u>3,299,962</u>	<u>5,000,000</u>
Totals	<u>\$ 3,539,153</u>	<u>\$ 5,460,847</u>	<u>\$ 9,000,000</u>

The outstanding obligation for the 1994 Series 1996 capital appreciation bonds at June 30, 2005, is as follows:

<u>Maturity Year</u>	<u>Interest Rate %</u>	<u>Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Amount of Outstanding June 30, 2005</u>
2006	5.30	\$ 187,350	\$ 111,270	\$ 298,620
2007	5.40	205,425	124,858	330,283
2008	5.50	220,220	136,934	357,154
2009	5.60	244,825	155,690	400,515
2010	5.70	288,980	187,872	476,832
2011-2015	5.80-6.00	247,016	3,145,471	3,392,487
2016-2020	6.00	<u>680,335</u>	<u>5,947,214</u>	<u>6,627,549</u>
Totals		<u>\$ 2,074,131</u>	<u>\$ 9,809,309</u>	<u>\$ 11,883,440</u>

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)**

**B. Capital Appreciation Bonds (Concluded)**

The annual requirements to amortize the 1994 Series 1996 capital appreciation bonds at June 30, 2005, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2006	\$ 187,350	\$ 112,650	\$ 300,000
2007	205,425	144,575	350,000
2008	220,220	179,780	400,000
2009	244,825	230,175	475,000
2010	288,960	311,040	600,000
2011-2015	247,016	302,984	550,000
2016-2020	<u>680,335</u>	<u>1,969,665</u>	<u>2,650,000</u>
<b>Totals</b>	<b><u>\$ 2,074,131</u></b>	<b><u>\$ 3,250,869</u></b>	<b><u>\$ 5,325,000</u></b>

**NOTE 8 - CAPITAL LEASES**

The District leases buildings, under lease agreements, which provide for title to pass upon expiration of the lease periods. Future minimum lease payments under these agreements are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease</u> <u>Payments</u>
2006	\$ 115,136
2007	115,136
2008	115,136
2009	115,136
2010	115,136
2011-2015	<u>115,136</u>
<b>Total payments</b>	<b>690,816</b>
<b>Less amounts representing interest</b>	<b><u>(115,283)</u></b>
<b>Present value of net minimum lease payments</b>	<b><u>\$ 575,533</u></b>

The District will receive no sublease rental revenues nor pay any contingent rentals for these leased buildings.

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 9 - CERTIFICATES OF PARTICIPATION**

During fiscal year 1997-98, the Corporation issued certificates of participation in the amount of \$6,150,000 with interest rates ranging from 4.0 to 4.80 percent.

At June 30, 2005, the principal balance outstanding was \$5,365,000.

The annual requirements to defease the certificates of participation outstanding at June 30, 2005 are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2005	\$ 175,000	\$ 273,455	\$ 448,455
2007	185,000	265,668	450,668
2008	195,000	257,250	452,250
2009	200,000	248,280	448,280
2010	210,000	238,880	448,880
2011-2015	1,230,000	1,022,580	2,252,580
2016-2020	1,580,000	668,200	2,248,200
2021-2025	<u>1,590,000</u>	<u>211,900</u>	<u>1,801,900</u>
<b>Totals</b>	<b>\$ <u>5,365,000</u></b>	<b>\$ <u>3,186,213</u></b>	<b>\$ <u>8,551,213</u></b>

**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 14, the District provides a variety of post employment health care benefits to certain eligible employees, which require no further services to be performed. Eligibility for participation in these plans is based on age, years of service, and a variety of other requirements that are unique to each plan. Each of these plans provides benefits for a specified maximum number of years. None of the plans provide benefits to retirees who are age 65 or older. On June 30, 2005, fourteen (14) retirees met the eligibility requirements.

During fiscal year 2003-04, the District offered various cash incentives to certain eligible certificated employees. The incentive amount is equivalent to an estimated payment which the District would have made to State Teachers' Retirement System (STRS) for the two additional years of credit. The incentives will be paid out in three equal cash installments over three years. On June 30, 2005, two (2) retirees met the eligibility requirements.

In addition, during the fiscal years 2003-04 and 2004-05, the District offered an Early Retirement Incentive Program, whereby the service credit to eligible certificated employee is increased by two years. The agreement requires future payments by the District to STRS for the benefit of the retiring employees.

In addition, during the fiscal year 2003-04, the District offered an Early Retirement Incentive Program, whereby four (4) classified employees accepted early retirement incentives in the form of PERS golden handshakes.

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS**

The future estimated payments for each of these benefits are as follows:

Year Ended June 30	Health	Cash	Golden Handshake		Total
	Benefits	Incentives	STRS	PERS	
2006	\$ 89,471	\$ 23,080	\$ 67,173	\$ 13,374	\$ 193,098
2007	86,767	23,079	63,068	13,511	186,425
2008	78,036		60,753		138,789
2009	32,092		58,439		90,531
2010	3,806		56,126		59,932
2011-2015			127,792		127,792
Total payments	290,172	46,159	433,351	26,885	796,567
Less amount representing interest & fees			(74,334)		(74,334)
Present value of net minimum payments	\$ 290,172	\$ 46,159	\$ 359,017	\$ 26,885	\$ 722,233

**NOTE 11 - LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2005, is shown below:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due within One Year
Compensated Absences	\$ 78,076	\$ 20,593		\$ 98,669	
General Obligation Bonds:					
Current Interest	11,725,000	15,380,000	\$ 11,335,000	15,770,000	\$ 695,000
Capital Appreciation	21,237,671	1,175,634	3,703,476	18,709,829	895,630
Capital Leases	670,790		95,257	575,533	83,597
Certificates of Participation	5,535,000		170,000	5,365,000	175,000
Post Employment Benefits	591,042	131,191		722,233	174,135
Total	\$ 39,837,579	\$ 16,707,418	\$ 15,303,733	\$ 41,241,264	\$ 2,023,362

**NOTE 12 - FUND BALANCES**

A. Reservations of fund balance as of June 30, 2005 are as follows:

	General Fund		Bond Interest & Redemption Fund	Corporation Debt Service Fund	Non-Major Governmental Funds	Totals
	Non-Charter Fund	Charter School Fund				
Revolving Fund	\$ 2,750					\$ 2,750
Stores Inventory					\$ 11,817	11,817
Prepaid Expenditures	7,186					7,186
Debt Service			\$ 2,995,778	\$ 38,628		3,034,406
Restricted Programs	796,232	\$ 102,426				898,658
Totals	\$ 806,168	\$ 102,426	\$ 2,995,778	\$ 38,628	\$ 11,817	\$ 3,954,817

WINDSOR UNIFIED SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 12 - FUND BALANCES (CONCLUDED)**

A. Reserved for Revolving Fund represents the portion of the ending fund balance represented by the revolving fund cash.

Reserved for Stores Inventory represents the portion of the ending fund balance represented by stores inventory.

Reserved for Prepaid Expenditures represents the portion of the ending fund balance represented by prepaid expenditures.

Reserved for Debt Service includes \$2,995,778 of the ending fund balance of the Bond Interest and Redemption Fund, which is reserved for future payment of interest and redemption of bond principal; and \$38,628 of the ending fund balance of the Corporation Debt Service Fund, which is reserved for future payment of interest and redemption of certificates of participation principal.

Reserved for Restricted Programs reflects unspent program revenues, which are legally restricted for future use.

Restricted program balances of General Fund at June 30, 2005 are as follows:

	<u>Non-Charter School Fund</u>	<u>Charter School Fund</u>
Class Size Reduction Facilities		\$ 11,820
English Language Learners	\$ 38,385	37,791
English Language & Intensive Literacy		347
California Public School Library	8,455	2,839
Lottery Instructional Materials	144,241	18,827
School Safety & Violence Prevention	106,157	4,802
Economic Impact Aid	7,690	
Gifted and Talented Education	23,825	
Instructional Materials K-8	18,998	35
Instructional Materials Realignment	158,676	1,381
School Based Coordinated Program	35,184	
Intensive Professional Development	81,709	
Staff Development - Principal Training	3,874	
Tenth Grade Counseling	15,680	
Other Programs	<u>153,358</u>	<u>24,784</u>
Totals	<u>\$ 796,232</u>	<u>\$ 102,426</u>

B. Designations of ending fund balance in the General Fund as of June 30, 2005 are as follows:

	<u>Non-Charter School Fund</u>	<u>Charter School Fund</u>
Economic Uncertainties	\$ 817,848	\$ 172,572
Categorical Block Grant		65,441
Site Block Grant	74	14,601
Personnel		157,124
Year Book	4,205	707
Library	47	
Morgan-Hart Class Size Reduction	28,284	
Lottery	<u>285,584</u>	<u>116,564</u>
Totals	<u>\$ 1,136,042</u>	<u>\$ 527,009</u>



WINDSOR UNIFIED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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**NOTE 13 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA**

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (STRS) for K-12 Education. This payment consists of state general fund contribution of \$686,020 to STRS (4.517% of salaries subject to STRS).

**NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS**

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

**A. State Teachers' Retirement System (STRS)**

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2004-05 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$1,252,970, \$1,226,642, and \$1,211,305, respectively, and equal 100% of the required contributions for each year.

**B. California Public Employees' Retirement System (CalPERS)**

Plan Description

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

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)**

**B. California Public Employees' Retirement System (CalPERS) (Concluded)**

**Funding Policy**

Active plan members are required to contribute 7.0% 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 2004-05 was 9.952%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$415,503, \$406,121, and \$288,665, respectively, and equal 100% of the required contributions for each year.

**C. 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 as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2% of an employee's gross earnings. An employee is required to contribute 6.2% of his or her gross earnings.

**NOTE 15 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004-05, the District participated in two joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years.

**NOTE 16 - JOINT VENTURES**

The District participates in two joint ventures under joint powers agreements (JPAs) with the Redwood Empire Schools' Insurance Group (RESIG) for property & liability, workers' compensation, and dental insurance coverage, and Schools Excess Liability Fund (SELF) for excess liability coverage. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for its members. The JPAs are governed by a board consisting of a representative from each member district. Each board controls the operations of their JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPAs.

The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPA's management.

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**NOTE 17 - CHARTER SCHOOL**

The Windsor Unified School District operates the Cali Calmecac Charter School pursuant to *Education Code* Section 47605. The financial activities of the Charter School are presented in the District's General Fund.

**NOTE 18 - COMMITMENTS AND CONTINGENCIES**

**A. State and Federal Allowances, Awards and Grants**

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

**B. Litigation**

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

**NOTE 19 - DEFEASED DEBT**

Certain general obligation bonds of the District have been defeased by placing the proceeds of refunding bonds in irrevocable escrow accounts held and managed by bank trustees, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bonds are not included in the District's financial statements.

**NOTE 20 - SUBSEQUENT EVENTS**

**Tax and Revenue Anticipation Notes (TRANS)**

On July 6, 2005, in association with the California Cash Reserve Program, the District issued tax and revenue anticipation notes (TRANS) for \$2,615,000. The notes mature on July 6, 2006, and bear interest at 4%. Proceeds from the notes can be drawn upon during the year if cash shortages arise.

**NOTE 21 - FUTURE GASB IMPLEMENTATION**

In July of 2004, the Governmental Accounting Standards Board issued GASB Statement 45, *"Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions"* with required implementation for the District during fiscal year 2008-09. The new statement will significantly change the way state and local governments report their "other post employment benefits" to the public. As a result of GASB 45, state and local governments will be required to (1) recognize the cost of these benefits in periods when the related services were rendered to the employer, (2) provide information about the actuarial accrued liabilities for promised benefits associated with past services and to what extent those benefits have been funded, (3) and provide information useful in assessing potential demands on the employer's cash flow.

**SUPPLEMENTARY INFORMATION SECTION**

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b><u>Revenues</u></b>				
Revenue Limit Sources:				
State Apportionment	\$ 11,607,377	\$ 11,710,881	\$ 11,710,885	\$ 4
Local Sources	10,880,523	11,512,516	11,512,516	
Total Revenue Limit Sources	22,687,900	23,223,397	23,223,401	4
Federal Revenue	1,439,088	1,716,043	1,573,302	(142,741)
Other State Revenue	3,758,073	4,476,853	4,233,888	(242,965)
Other Local Revenue	2,182,384	4,704,860	4,655,909	(48,951)
Total Revenues	30,087,445	34,121,153	33,686,510	(434,643)
<b><u>Expenditures</u></b>				
Certificated Salaries	15,681,824	15,858,104	15,817,795	38,309
Classified Salaries	3,689,413	4,176,659	4,126,235	50,424
Employee Benefits	5,922,047	5,897,802	5,828,748	68,054
Books and Supplies	1,204,968	2,234,418	1,204,760	1,029,658
Services and Other				
Operating Expenditures	3,116,077	4,097,311	3,555,342	541,969
Capital Outlay		74,537	77,192	(2,655)
Debt Service:				
Principal Retirement	16,003	16,003	16,003	
Interest and Fiscal Charges	1,324	1,324	1,324	
Other Expenditures	210,718	2,389,078	2,383,415	5,663
Total Expenditures	29,842,374	34,743,234	33,011,814	1,731,420
Excess of Revenues Over (Under) Expenditures	225,071	(622,081)	674,696	1,296,777
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In		38,721	38,721	
Operating Transfers Out	(153,749)	(4,190)	(2,193)	1,997
Total Other Financing Sources (Uses)	(153,749)	34,531	36,528	1,997
Net Change in Fund Balances	71,322	(587,550)	711,224	\$ 1,298,774
Fund Balances - July 1, 2004	2,132,821	2,132,821	2,132,821	
Fund Balances - June 30, 2005	\$ 2,204,143	\$ 1,545,271	\$ 2,844,045	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**WINDSOR UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	Total Non-Major Special Revenue Funds	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
<b><u>Assets</u></b>			
Cash in County Treasury	\$ 500,184	\$ 199,505	\$ 699,689
Cash on Hand and in Banks	1,120		1,120
Accounts Receivable			
Federal Government	111,645		111,645
State Government	20,479		20,479
Miscellaneous	13,418		13,418
Due from Other Funds	13,531	65,506	79,037
Stores Inventory	11,817		11,817
<b>Total Assets</b>	<b>\$ 672,194</b>	<b>\$ 265,011</b>	<b>\$ 937,205</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 54,017		\$ 54,017
Due to Other Funds	189,050		189,050
<b>Total Liabilities</b>	<b>243,067</b>		<b>243,067</b>
<b>Fund Balances:</b>			
Reserved	11,817		11,817
Unreserved:			
Undesignated	417,310	\$ 265,011	682,321
<b>Total Fund Balances</b>	<b>429,127</b>	<b>265,011</b>	<b>694,138</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 672,194</b>	<b>\$ 265,011</b>	<b>\$ 937,205</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**WINDSOR UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Total Non-Major Special Revenue Funds	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
<b><u>Revenues</u></b>			
Revenue Limit Sources:			
State Apportionment	\$ 72,802		\$ 72,802
Federal Sources:			
Child Nutrition Program	619,535		619,535
Other State Sources:			
State Nutrition Program	39,414		39,414
Other	170,469		170,469
Local Sources:			
Food Service Sales	612,951		612,951
Interest	8,428	\$ 2,483	10,909
Other	16,816		16,816
<b>Total Revenues</b>	<b>1,540,413</b>	<b>2,483</b>	<b>1,542,896</b>
<b><u>Expenditures</u></b>			
Certificated Salaries	18,094		18,094
Classified Salaries	532,341		532,341
Employee Benefits	167,856		167,856
Books and Supplies	540,672		540,672
Services and Other			
Operating Expenditures	182,192	295	182,487
Capital Outlay	86,272		86,272
Other Expenditures	74,732		74,732
<b>Total Expenditures</b>	<b>1,602,159</b>	<b>295</b>	<b>1,602,454</b>
Excess of Revenues Over (Under) Expenditures	(61,746)	2,188	(59,558)
<b><u>Other Financing Sources</u></b>			
Operating Transfers In	2,193		2,193
Other Sources		200,000	200,000
<b>Total Other Financing Sources</b>	<b>2,193</b>	<b>200,000</b>	<b>202,193</b>
<b>Net Change in Fund Balances</b>	<b>(59,553)</b>	<b>202,188</b>	<b>142,635</b>
Fund Balances - July 1, 2004	488,680	62,823	551,503
Fund Balances - June 30, 2005	<b>\$ 429,127</b>	<b>\$ 265,011</b>	<b>\$ 694,138</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

WINDSOR UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2005

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>	<u>Adult Education</u>	<u>Total Non-Major Special Revenue Funds</u>
<b><u>Assets</u></b>				
Cash in County Treasury	\$ 370,263	\$ 28,998	\$ 100,923	\$ 500,184
Cash on Hand and in Banks		1,120		1,120
Accounts Receivable				
Federal Government		111,645		111,645
State Government		7,156	13,323	20,479
Miscellaneous		3,781	9,637	13,418
Due from Other Funds		7,943	5,588	13,531
Stores Inventory		11,817		11,817
Total Assets	<u>\$ 370,263</u>	<u>\$ 172,460</u>	<u>\$ 129,471</u>	<u>\$ 672,194</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts Payable	\$ 39,404	\$ 13,090	\$ 1,523	\$ 54,017
Due to Other Funds	65,506	100,430	23,114	189,050
Total Liabilities	<u>104,910</u>	<u>113,520</u>	<u>24,637</u>	<u>243,057</u>
Fund Balances:				
Reserved		11,817		11,817
Unreserved:				
Undesignated	265,353	47,123	104,834	417,310
Total Fund Balances	<u>265,353</u>	<u>58,940</u>	<u>104,834</u>	<u>429,127</u>
Total Liabilities and Fund Balances	<u>\$ 370,263</u>	<u>\$ 172,460</u>	<u>\$ 129,471</u>	<u>\$ 672,194</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



**WINDSOR UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>	<u>Adult Education</u>	<u>Total Non-Major Special Revenue Funds</u>
<b><u>Revenues</u></b>				
Revenue Limit Sources:				
State Apportionment			\$ 72,802	\$ 72,802
Federal Sources:				
Child Nutrition Program		\$ 619,535		619,535
Other State Sources:				
State Nutrition Program		39,414		39,414
Other	\$ 168,969		1,500	170,469
Local Sources:				
Food Service Sales		612,951		612,951
Interest	6,032		2,394	8,426
Other			16,816	16,816
<b>Total Revenues</b>	<u>175,001</u>	<u>1,271,900</u>	<u>93,512</u>	<u>1,540,413</u>
<b><u>Expenditures</u></b>				
Certificated Salaries			18,094	18,094
Classified Salaries		492,051	40,290	532,341
Employee Benefits		157,220	10,636	167,856
Books and Supplies	23,918	513,756	2,998	540,672
Services and Other				
Operating Expenditures	169,099	12,950	143	182,192
Capital Outlay		86,272		86,272
Other Expenditures		70,066	4,046	74,732
<b>Total Expenditures</b>	<u>193,017</u>	<u>1,332,935</u>	<u>76,207</u>	<u>1,602,159</u>
Excess of Revenues Over (Under) Expenditures	(18,016)	(61,035)	17,305	(61,740)
<b><u>Other Financing Sources</u></b>				
Operating Transfers In	2,193			2,193
<b>Net Change in Fund Balances</b>	(15,823)	(61,035)	17,305	(59,553)
Fund Balances - July 1, 2004	281,176	119,975	87,529	488,680
<b>Fund Balances - June 30, 2005</b>	<u>\$ 265,353</u>	<u>\$ 58,940</u>	<u>\$ 104,834</u>	<u>\$ 429,127</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

WINDSOR UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2005

	<u>Building</u>	<u>Special Reserve</u>	<u>Total Non-Major Capital Projects Funds</u>
<b><u>Assets</u></b>			
Cash in County Treasury	\$ 4	\$ 199,501	\$ 199,505
Due from Other Funds		65,506	65,506
Total Assets	<u>\$ 4</u>	<u>\$ 265,007</u>	<u>\$ 265,011</u>
<b><u>Fund Balances</u></b>			
Unreserved:			
Undesignated	<u>\$ 4</u>	<u>\$ 265,007</u>	<u>\$ 265,011</u>
Total Fund Balances	<u>\$ 4</u>	<u>\$ 265,007</u>	<u>\$ 265,011</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

WINDSOR UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Building</u>	<u>Special Reserve</u>	<u>Total Non-Major Capital Projects Funds</u>
<b><u>Revenues</u></b>			
Local Sources:			
Interest		\$ 2,483	2,483
Total Revenues		<u>2,483</u>	<u>2,483</u>
<b><u>Expenditures</u></b>			
Services and Other			
Operating Expenditures		295	295
Total Expenditures		<u>295</u>	<u>295</u>
Excess of Revenues Over (Under) Expenditures		2,188	2,188
<b><u>Other Financing Sources (Uses)</u></b>			
Other Sources		200,000	200,000
Net Change in Fund Balances		202,188	202,188
Fund Balances - July 1, 2004	\$ 4	<u>62,819</u>	<u>62,823</u>
Fund Balances - June 30, 2005	<u>\$ 4</u>	<u>\$ 265,007</u>	<u>\$ 265,011</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**WINDSOR UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS - STUDENT BODY  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Balances</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2005</u>
<b><u>Assets</u></b>				
Cash:				
Brooks Elementary	\$ 32,873	\$ 62,185	\$ 59,290	\$ 35,768
Mattie Washburn Elementary	58,240	87,665	69,320	76,585
Windsor Creek Elementary	30,072	114,252	93,349	50,975
Windsor Middle	12,805	136,305	132,676	16,434
Windsor High	88,898	403,718	360,078	133,638
Windsor Oaks Academy	293	671	824	140
Call Calmecac Charter	6,355	536	176	6,715
<b>Total Assets</b>	<b><u>\$ 230,636</u></b>	<b><u>\$ 805,332</u></b>	<b><u>\$ 715,713</u></b>	<b><u>\$ 320,255</u></b>
<b><u>Liabilities</u></b>				
Due to Student Groups	<b><u>\$ 230,636</u></b>	<b><u>\$ 805,332</u></b>	<b><u>\$ 715,713</u></b>	<b><u>\$ 320,255</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**WINDSOR UNIFIED SCHOOL DISTRICT  
INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>DEFERRED MAINTENANCE</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	
<b><u>Revenues</u></b>			
Other State Sources:			
Other	\$ 168,999	\$ 168,999	
Local Sources:			
Interest	6,032	6,032	
Total Revenues	<u>175,001</u>	<u>175,001</u>	
<b><u>Expenditures</u></b>			
Books and Supplies	23,918	23,918	
Services and Other			
Operating Expenditures	<u>169,099</u>	<u>169,099</u>	
Total Expenditures	<u>193,017</u>	<u>193,017</u>	
Excess of Revenues (Under) Expenditures	(18,016)	(18,016)	
<b><u>Other Financing Sources</u></b>			
Operating Transfers In	<u>2,193</u>	<u>2,193</u>	
Net Change in Fund Balance	<u>\$ (15,823)</u>	<u>(15,823)</u>	<u>\$ 0</u>
Fund Balance - July 1, 2004		<u>281,176</u>	
Fund Balance - June 30, 2005		<u>\$ 265,353</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

WINDSOR UNIFIED SCHOOL DISTRICT  
INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	CAFETERIA		Variance Favorable (Unfavorable)
	Budget	Actual	
<b><u>Revenues</u></b>			
Federal Sources:			
Child Nutrition Program	\$ 619,535	\$ 619,535	
Other State Sources:			
State Nutrition Program	39,414	39,414	
Local Sources:			
Food Service Sales	613,048	612,951	\$ (97)
Interest	538		(538)
Total Revenues	<u>1,272,535</u>	<u>1,271,900</u>	<u>(635)</u>
<b><u>Expenditures</u></b>			
Classified Salaries	492,577	492,051	526
Employee Benefits	160,413	157,220	3,193
Food and Supplies	513,764	513,756	8
Services and Other			
Operating Expenditures	58,973	12,950	46,023
Capital Outlay	86,272	86,272	
Other Expenditures	38,837	70,686	(31,849)
Total Expenditures	<u>1,350,836</u>	<u>1,332,935</u>	<u>17,901</u>
Net Change in Fund Balance	<u>\$ (78,301)</u>	<u>(61,035)</u>	<u>\$ 17,266</u>
Fund Balance - July 1, 2004		<u>119,975</u>	
Fund Balance - June 30, 2005		<u>\$ 58,940</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**WINDSOR UNIFIED SCHOOL DISTRICT  
INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>ADULT EDUCATION</b>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>			
Revenue Limit Sources:			
State Apportionment	\$ 72,802	\$ 72,802	
Other State Sources:			
Other		1,500	\$ 1,500
Local Sources:			
Interest	2,394	2,394	
Other	16,816	16,816	
Total Revenues	<u>92,012</u>	<u>93,512</u>	<u>1,500</u>
<b><u>Expenditures</u></b>			
Certificated Salaries	22,220	18,094	4,126
Classified Salaries	40,290	40,290	
Employee Benefits	11,036	10,636	400
Books and Supplies	2,998	2,998	
Services and Other			
Operating Expenditures	244	143	101
Other Expenditures	2,877	4,046	(1,169)
Total Expenditures	<u>79,665</u>	<u>76,207</u>	<u>3,458</u>
Net Change in Fund Balance	<u>\$ 12,347</u>	17,305	<u>\$ 4,958</u>
Fund Balance - July 1, 2004		<u>87,529</u>	
Fund Balance - June 30, 2005		<u>\$ 104,834</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**WINDSOR UNIFIED SCHOOL DISTRICT  
INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
DEBT SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>BOND INTEREST AND REDEMPTION</b>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>			
Other State Sources:			
Other		\$ 20,446	\$ 20,446
Local Sources:			
Interest		51,113	51,113
Other	\$ 721,779	1,670,264	948,485
Total Revenues	<u>721,779</u>	<u>1,741,823</u>	<u>1,020,044</u>
<b><u>Expenditures</u></b>			
Services and Other			
Operating Expenditures	180,401	180,401	
Debt Service:			
Principal Retirement	15,038,476	15,038,476	
Interest and Fiscal Charges	1,985,896	1,987,144	(1,248)
Total Expenditures	<u>17,204,773</u>	<u>17,206,021</u>	<u>(1,248)</u>
Excess of Revenues (Under) Expenditures	(16,482,994)	(15,464,198)	1,018,796
<b><u>Other Financing Sources</u></b>			
Other Sources	15,380,000	15,380,000	
Net Change in Fund Balance	<u>\$ (1,102,994)</u>	<u>(84,198)</u>	<u>\$ 1,018,796</u>
Fund Balance - July 1, 2004		3,079,976	
Fund Balance - June 30, 2005		<u>\$ 2,995,778</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



WINDSOR UNIFIED SCHOOL DISTRICT  
INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
DEBT SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	CORPORATION DEBT SERVICE		
	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues</u></b>			
Local Sources:			
Interest		\$ 845	\$ 845
Total Revenues		845	845
<b><u>Expenditures</u></b>			
Debt Service:			
Principal Retirement		170,000	(170,000)
Interest and Fiscal Charges		280,935	(280,935)
Total Expenditures		450,935	(450,935)
Excess of Revenues (Under) Expenditures		(450,090)	(450,090)
<b><u>Other Financing Sources</u></b>			
Operating Transfers In		450,935	450,935
Net Change in Fund Balance	\$ 0	845	\$ 845
Fund Balance - July 1, 2004		37,783	
Fund Balance - June 30, 2005		\$ 38,628	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**WINDSOR UNIFIED SCHOOL DISTRICT  
INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>CAPITAL FACILITIES</b>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>			
Local Sources:			
Developer Fees	\$ 1,838,252	\$ 1,838,251	\$ (1)
Interest	38,747	38,476	(271)
<b>Total Revenues</b>	<b>1,876,999</b>	<b>1,876,727</b>	<b>(272)</b>
<b><u>Expenditures</u></b>			
Books and Supplies	136,238	136,144	94
Services and Other			
Operating Expenditures	511,131	509,779	1,352
Capital Outlay	67,084	67,080	4
Debt Service:			
Principal Retirement	79,254	79,254	
Interest and Fiscal Charges	47,506	47,506	
<b>Total Expenditures</b>	<b>841,213</b>	<b>839,763</b>	<b>1,450</b>
Excess of Revenues Over Expenditures	1,035,786	1,036,964	1,178
<b><u>Other Financing (Uses)</u></b>			
Operating Transfers Out	(489,656)	(489,656)	
<b>Net Change in Fund Balance</b>	<b>\$ 546,130</b>	<b>547,308</b>	<b>\$ 1,178</b>
Fund Balance - July 1, 2004		1,465,660	
Fund Balance - June 30, 2005		<b>\$ 2,012,968</b>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>BUILDING</b>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balance - July 1, 2004		<u>4</u>	
Fund Balance - June 30, 2005		<u>\$ 4</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**WINDSOR UNIFIED SCHOOL DISTRICT  
INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>SPECIAL RESERVE</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	
<b><u>Revenues</u></b>			
Local Sources:			
Interest	\$ 2,484	\$ 2,483	\$ (1)
Total Revenues	<u>2,484</u>	<u>2,483</u>	<u>(1)</u>
<b><u>Expenditures</u></b>			
Services and Other			
Operating Expenditures	65,507	295	65,212
Total Expenditures	<u>65,507</u>	<u>295</u>	<u>65,212</u>
Excess of Revenues Over (Under) Expenditures	(63,023)	2,188	65,211
<b><u>Other Financing Sources</u></b>			
Other Sources	199,705	200,000	295
Net Change in Fund Balance	<u>\$ 136,682</u>	202,188	<u>\$ 65,506</u>
Fund Balance - July 1, 2004		<u>62,819</u>	
Fund Balance - June 30, 2005		<u>\$ 265,007</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

WINDSOR UNIFIED SCHOOL DISTRICT  
INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	COUNTY SCHOOL FACILITIES		
	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues</u></b>			
Other State Sources:			
Other	\$ 1,702,652	\$ 1,702,012	\$ (640)
Local Sources:			
Interest	102,335	102,335	
Total Revenues	<u>1,804,987</u>	<u>1,804,347</u>	<u>(640)</u>
<b><u>Expenditures</u></b>			
Books and Supplies	114,297	114,297	
Services and Other			
Operating Expenditures	6,708	4,382	2,326
Capital Outlay	6,134,216	5,727,404	406,812
Total Expenditures	<u>6,255,221</u>	<u>5,846,083</u>	<u>409,138</u>
Net Change in Fund Balance	<u>\$ (4,450,234)</u>	<u>(4,041,736)</u>	<u>\$ 408,498</u>
Fund Balance - July 1, 2004		<u>5,732,617</u>	
Fund Balance - June 30, 2005		<u>\$ 1,690,881</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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ORGANIZATION

The Windsor Unified School District was unified in 1993 and is located in the central part of the Sonoma Valley. There were no changes in District boundaries during the year. The District operates four elementary schools including one charter school, one junior high school, one high school, one continuation high school and an adult school.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Cheryl Scholar	President	November 2006
Rick Massell	Vice-President/Clerk	November 2006
Edward Seche	Member	November 2008
Sandy Dobbins	Member	November 2006
Shari Egan	Member	November 2008

ADMINISTRATION

Steven D. Herrington  
Superintendent

Mary Downey  
Chief Business Officer

WINDSOR UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Second Period Report</u>	<u>Annual Report</u>
<u>Elementary</u>		
Kindergarten	371	372
First through Third	955	955
Fourth through Sixth	1,064	1,062
Seventh and Eighth	788	785
Home and Hospital	1	1
Special Education - SDC	42	41
Special Education - Nonpublic	5	5
Subtotals	<u>3,226</u>	<u>3,221</u>
<u>Secondary</u>		
Ninth through Twelfth	1,247	1,231
Continuation Education	36	38
Special Education - SDC	41	37
Special Education - Nonpublic	0	1
Home and Hospital	1	2
Subtotals	<u>1,325</u>	<u>1,309</u>
<u>Classes for Adults</u>		
Not Concurrently Enrolled	<u>34</u>	<u>32</u>
Totals	<u>4,585</u>	<u>4,562</u>
<u>Supplemental Hours</u>		<u>Hours of Attendance</u>
Elementary		28,155
Secondary		33,072

SEE NOTES TO SUPPLEMENTARY INFORMATION

WINDSOR UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Required</u>	<u>2004-05 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	36,000	51,750	180	N/A	In Compliance
Grades 1 – 3	44,250	50,400	50,850	180	N/A	In Compliance
Grades 4 – 5	51,600	54,000	56,925	180	N/A	In Compliance
Grades 6 – 8	53,200	54,000	59,185	180	N/A	In Compliance
Grades 9 – 12	N/A	64,800	67,340	180	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION



**WINDSOR UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Identification Number</u>	<u>Federal Program Expenditures</u>
U.S. Department of Agriculture:			
Passed through California			
Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch	10.555	13524	\$ 477,550
Especially Needy Breakfast	10.553	13526	138,515
Meal Supplements	10.555	13755	3,470
U.S. Department of Education:			
Passed through CDE:			
NCLB: Title I	84.010	14329	322,965
NCLB: Title II Improving Teacher Quality	84.367	14341	238,262
NCLB: Title II Enhancing Education Through Technology	84.318	14334	9,019
NCLB: Title III LEP	84.365	10084	36,228
NCLB: Title IV Drug Free Schools	84.186	13453	9,726
NCLB: Title V Innovative Education Technology	84.298	14354	18,046
NCLB: Title VI Flexibility & Accountability	84.369	14363	7,021
NCLB: 21st Century Community Learning Centers	84.287	14349	108
Special Education:			
IDEA Part B Local Assistance	84.027	13379	752,341
Vocational Education	84.048	13924	20,120
Received Direct:			
NCLB: Foreign Language Assistance	84.293B	N/A	135,607
U.S. Department of Health and Human Services:			
Passed through CDE:			
Medi-Cal Billing	93.778	10013	23,859
Total			<u>\$ 2,192,837</u>

\* Pass-through entity's identification number is not available.

**WINDSOR UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>County School Facilities Fund</u>
June 30, 2005 Annual Financial and Budget Report Fund Balance	\$ 1,828,567
Adjustment (Decreasing) Fund Balance:	
Understatement of Capital Outlay	<u>(137,686)</u>
June 30, 2005 Audited Financial Statements Fund Balances	<u>\$ 1,690,881</u>
	<u>Capital Assets</u>
June 30, 2005 Annual Financial and Budget Report Total Capital Assets, net	\$ 69,383,162
Adjustment Increasing Total Capital Assets, net:	
Understatement of Work-in-Progress	<u>137,686</u>
June 30, 2005 Audited Financial Statement Total Capital Assets, net	<u>\$ 69,520,848</u>
	<u>Long-Term Liabilities</u>
June 30, 2005 Annual Financial and Budget Report Total Long-Term Liabilities	\$ 41,344,073
Adjustment and Reclassifications Increasing (Decreasing) Total Long-Term Liabilities:	
Overstatement of General Obligation Bonds	(1,000)
Understatement of Other General Long-Term Debt	1,000
Overstatement of Post Employment Benefits	<u>(102,809)</u>
Net Adjustments	<u>(102,809)</u>
June 30, 2005 Audited Financial Statement, Total Long-Term Liabilities	<u>\$ 41,241,264</u>

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2005.

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	GENERAL FUND			
	(Budget)* 2005-06	2004-05	2003-04	2002-03
Revenues and Other Financial Sources	\$ 34,165,015	\$ 33,725,231	\$ 31,670,565	\$ 31,286,266
Expenditures	34,116,606	33,011,814	31,318,510	31,554,850
Other Uses and Transfers Out	166,474	2,183	106,104	157,563
Total Outgo	34,283,080	33,014,007	31,426,614	31,712,413
Change in Fund Balance	(118,065)	711,224	252,951	(426,147)
Ending Fund Balance	\$ 2,725,980	\$ 2,844,045	\$ 2,132,821	\$ 1,879,870
Available Reserves	\$ 1,788,173	\$ 1,282,820	\$ 1,135,709	\$ 1,178,951
Designated for Economic Uncertainties	\$ 0	\$ 990,420	\$ 884,224	\$ 951,372
Undesignated Fund Balance	\$ 1,788,173	\$ 272,400	\$ 251,485	\$ 227,579
Available Reserves as a Percentage of Total Outgo	5.2%	3.8%	3.6%	3.7%
Total Long-Term Liabilities	\$ 39,217,902	\$ 41,241,264	\$ 39,837,579	\$ 39,458,464
Average Daily Attendance at P-2 (Exclusive of Adult ADA)	4,614	4,551	4,440	4,316

\* Amounts reported for the 2005-06 budget are presented for analytical purposes only and have not been audited.

The fund balance of the General Fund increased \$964,175 (51.3%) over the past two years. The fiscal year 2005-06 budget projects a \$118,065 (4.2%) decrease in fund balance. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit of \$426,147 during fiscal year 2002-03, and produced operating surpluses of \$252,951 and \$711,224 during fiscal years 2003-04 and 2004-05, respectively.

Long-term liabilities have increased \$1,782,800 over the past two years, due primarily to accreted interest on the District's outstanding capital appreciation bonds.

Average daily attendance has increased 235 ADA over the past two years. The District budgeted an increase of 63 ADA, but currently anticipates an increase of 100 ADA during fiscal year 2005-06.

SEE NOTES TO SUPPLEMENTARY INFORMATION

WINDSOR UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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<u>Charter School</u>	<u>District Audit</u>
Cali Calmecac Charter School	Included

SEE NOTES TO SUPPLEMENTARY INFORMATION

WINDSOR UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

B. Combining Statements and Individual Fund Schedules

Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.

C. Schedule of Average Daily Attendance

Average daily attendance 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 apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

D. Schedule of Instructional Time

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

E. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activities 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds, the total net assets of the Schedule of Capital Assets, and the total liabilities of the Schedule of Long-Term Liabilities, as reported in the Annual Financial and Budget Report to the audited financial statements.

G. 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.

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)**

**H. Schedule of Charter Schools**

This schedule lists all charter schools chartered by the District and identifies whether the charter schools were included or excluded from the audit of the District.

**NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM**

Pursuant to Education Code Sections 22714, 22714.5, 44929, 44929.1, 87488, and 87488.1, the District has adopted an early retirement incentive program, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days of the formal action taken by the District.

**Retiree Information**

A total of five employees have retired within the window period (June 15, 2005 through August 31, 2005) in exchange for the additional two years of service credit.

<u>Position Vacated</u>	<u>Age</u>	<u>Service Credit</u>	<u>Retiree Salary</u>	<u>Retiree Benefits</u>	<u>Replacement Salary</u>	<u>Replacement Benefits</u>
Teacher	60.0	25.623	\$ 64,699	\$ 12,794	\$ 40,021	\$ 16,007
Teacher	57.1	11.55	59,306	7,395	43,132	11,033
Teacher	57.0	16.00	64,339	12,749	56,513	8,876
Teacher	62.0	35.51	69,730	16,074	55,713	8,771
Teacher	60.11	35.33	<u>61,465</u>	<u>11,719</u>	<u>39,606</u>	<u>6,673</u>
Totals			<u>\$ 319,539</u>	<u>\$ 60,731</u>	<u>\$ 234,985</u>	<u>\$ 51,360</u>

**Additional Costs**

As a result of this early retirement incentive program, the District expects to incur \$261,260 in additional costs. The breakdown in additional costs is presented below:

Retirement Costs	\$ 206,994
Post Employment Health Benefit Costs	52,466
Administrative Costs	<u>1,800</u>
Total Additional Costs	<u>\$ 261,260</u>

**OTHER INDEPENDENT AUDITOR'S REPORTS SECTION**

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**STEPHEN ROATCH ACCOUNTANCY CORPORATION**  
***Certified Public Accountants***

**INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Board of Trustees  
Windsor Unified School District  
9291 Old Redwood Highway  
Building 500  
Windsor, CA 95492

We have audited the financial statements of the Windsor Unified School District, as of and for the year ended June 30, 2005, and have issued our report thereon dated December 21, 2005. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2004-05*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Education Audit Appeals Panel's Audit Guide</u>	<u>Procedures Performed</u>
<b>Attendance Accounting:</b>		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	22	No (see below)
Continuation Education	10	No (see below)
Adult Education	9	No (see below)
Regional Occupational Centers and Programs	6	Not Applicable
<b>Instructional Time and Staff</b>		
Development Reform Program	7	Yes
Instructional Time for School Districts	4	Yes
Instructional Time for County Offices of Education	3	Not Applicable
Community Day Schools	9	Not Applicable
<b>Class Size Reduction Program:</b>		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Districts or Charter Schools With Only One School Serving Grades K-3	4	Not Applicable

<u>Description</u>	<u>Procedures in Education Audit Appeals Panel's Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials Realignment Program:		
General Requirements	12	Yes
Grades K-8	1	Yes
Grades 9-12	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Early Retirement Incentive Program	4	Yes
GANN Limit Calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	Not Applicable
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	1

We did not perform tests for independent study, continuation education, or adult education, because the ADA claimed by the District does not exceed the threshold that requires testing.

We did not perform two procedures related to the school accountability report card (SARC) because the audit procedures are based on the SARC for School Year 2003-04 published during 2004-05 and the complaint data compiled pursuant to the provisions of Education Code Section 35186(d) were not required to be implemented until January 1, 2005. In addition, the interim evaluation instrument developed by the Office of Public School Construction was not completed prior to the publication of the 2003-04 SARC.

Based on our audit, we found that, for the items tested, the Windsor Unified School District complied with the state laws and regulations of the state programs referred to above, except as described in the Findings and Questioned Costs Section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Windsor Unified School District had not complied with the state laws and regulations.

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

*Stephen Roatch Accountancy Corporation*  
STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 21, 2005

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**  
*Certified Public Accountants*

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

Board of Trustees  
Windsor Unified School District  
9291 Old Redwood Highway  
Building 500  
Windsor, CA 95492

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Windsor Unified School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 the 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 matter 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 the 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 Findings and Questioned Costs Section of this report.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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.

Board of Trustees  
Windsor Unified School District  
Page Two

Compliance and Other Matters

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

This report is intended solely for the information and use of the District's Board, management, California State Controller's Office, California Department of Finance, California Department of Education, 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.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 21, 2005

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**  
*Certified Public Accountants*

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

Board of Trustees  
Windsor Unified School District  
9291 Old Redwood Highway  
Building 500  
Windsor, CA 95492

Compliance

We have audited the compliance of Windsor 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. The District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations contracts, and grant agreements, applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the Windsor 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 Windsor 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 reasonable basis for our opinion. Our audit does not provide a legal determination of Windsor Unified School District's compliance with those requirements.

In our opinion, Windsor 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 Windsor Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements, applicable to federal programs. In planning and performing our audit, we considered the 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.

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

This report is intended solely for the information and use of the District's Board, management, California State Controller's Office, California Department of Finance, California Department of Education, 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.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 21, 2005

**FINDINGS AND QUESTIONED COSTS SECTION**

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**WINDSOR UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDING AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**SECTION I - SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ Yes      X   No

Reportable conditions identified not considered  
to be material weaknesses?   X   Yes    \_\_\_\_\_ None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified? \_\_\_\_\_ Yes      X   No

Reportable conditions identified not considered  
to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section .510(a) \_\_\_\_\_ Yes      X   No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Federal Program</u>
10.555 / 10.553	Child Nutrition Cluster
84.010	NCLB: Title I

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   No

**State Awards**

Internal control over state programs:

Material weaknesses identified? \_\_\_\_\_ Yes      X   No

Reportable conditions identified not considered  
to be material weaknesses?   X   Yes    \_\_\_\_\_ None reported

Type of auditor's report issued on compliance for  
state programs: Unqualified

WINDSOR UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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SECTION II - FINANCIAL STATEMENT FINDINGS

05 - 1 / 30000

STUDENT BODY - ACCOUNTING SYSTEM SOFTWARE

Criteria: Effective student body accounting software programs should do more than just provide a means of tracking student body checks and deposits. They should also include internal control features and be capable of producing meaningful reports for activity account advisors, auditors, and business office personnel with oversight responsibilities.

Condition: The student body accounting systems currently maintained at the middle and elementary schools do not provide adequate internal control of student body assets and accounting records. Accounting data can be modified or deleted without being detected, and the accounting software cannot produce meaningful reports for the individuals who are responsible for overseeing student body activities.

Questioned Costs: None. This is an administrative comment only.

Context: Accounting records are frequently maintained on manual registers or computer spreadsheets.

Effect: Internal controls over student body assets and accounting records is inadequate. As a result, improprieties may occur and not be detected in a timely manner.

Cause: The accounting systems used for the student body accounts at the middle and elementary schools were not specifically designed for student body accounting.

Recommendation: The District should consider investing in accounting system software that is specifically designed to meet the needs of student body accountants. The software selected should provide a proper audit trail for all student body transactions, produce meaningful reports, and include features, which prevent data from being modified or deleted without detection.

District Response: The District is planning to use the same software program that is currently being used by the high school.

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

05 - 2 / 30000

**STUDENT BODY - CASH RECEIPTS**

- Criteria:** Cash receipts collected from student body fundraisers should be counted and summarized on cash deposit summary sheets that are signed by the individual(s) who count the cash, prior to it being submitted to the student body account clerk for deposit.
- Condition:** Cash deposit summaries are not being completed or signed on a consistent basis by individuals who submit cash to the student body account clerk for deposit.
- Questioned Costs:** None. This is an administrative comment only.
- Context:** The condition was noted at Windsor Middle School and Windsor Creek Elementary School.
- Effect:** There is no way to determine the completeness of cash receipts if cash is not counted and summarized on cash deposit summary sheets, which are signed by the individual(s) who count the cash, prior to it being submitted to the student body account clerk for deposit. As a result, improprieties may occur and not be detected in a timely manner.
- Cause:** The District has not adequately enforced student body procedures, which require cash deposit summary sheets to be completed, signed, and retained to support all student body deposits.
- Recommendation:** The District should actively enforce student body procedures, which require cash deposit summary sheets to be completed, signed, and retained to support all student body deposits. In addition, the student body account clerk should verify the cash count and note any differences on the deposit summary. All significant over/short amounts noted should be brought to the attention of the Principal immediately.
- District Response:** The District will actively enforce student body procedures, which require cash deposit summary sheets to be completed, signed, and retained to support all student body deposits. In addition, the student body account clerk will verify the cash count and note any difference on the deposit summary. All significant over/short amounts noted will be brought to the attention of the Principal immediately. This process will be reviewed by the District's budget analyst.

**WINDSOR UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There are no matters to report for the fiscal year ended June 30, 2005.

WINDSOR UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

05 - 3 / 40000 / 30000

INSTRUCTIONAL MINUTES CALCULATIONS

- Criteria: The 1983 Educational Reform Act established financial incentives for school districts that offer at least a specified minimum number of instructional minutes per school year. Accordingly, districts should develop procedures to ensure that the required number of instructional minutes will be provided, and perform appropriate monitoring to ensure that compliance with the instructional minutes requirements is properly documented and accurate.
- Condition: The information contained in the instructional minute calculations, prepared by the District to support its compliance with the instructional minute requirements, did not always agree to the bell schedules or school calendars followed by the school sites. In addition, these errors were not detected by the business office prior to the arrival of the auditors.
- Questioned Costs: None. This is an administrative comment only.
- Context: The District did provide the required number of instructional minutes.
- Effect: The District's procedure for monitoring instructional minute compliance is inadequate and may result in a loss of funding if the District is unable to detect a potential instructional minute shortfall in the future.
- Cause: The District did not compare its instructional minute calculations to the actual bell schedules or school calendars followed by the school sites.
- Recommendation: The District should agree all information contained in the instructional minute calculations to the actual bell schedules and school calendars followed by the schools sites.
- District Response: The District will establish procedures that require all information contained in the instructional minute calculations to be traced to the actual bell schedules and school calendars followed by the schools sites. This procedure will be performed on a quarterly basis.

WINDSOR UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

05 - 4 / 10000

ATTENDANCE - ADULT EDUCATION

Criteria: In accordance with the California Department of Education's (CDE's) instructions for completing the P-2 attendance report, the average daily attendance (ADA) reported for adult education classes should be computed by dividing the total days of attendance, recorded during the P-2 attendance reporting period, by the CDE specified 135 day divisor.

Condition: The District used 133 days in the divisor instead of 135 days when computing the adult education ADA that was presented on the P-2 attendance report. In addition, due to a formula error in the attendance spreadsheet, the total days of attendance used in the calculation of P-2 adult ADA was overstated.

Questioned Costs: None. Funding generated by the adult education program is based on the adult ADA reported on the Annual attendance report, which was properly reported to the CDE.

Context: The District utilized the CDE specified 175 day divisor for computing adult education ADA during the preparation of the Annual attendance report.

Effect: The District did not report adult ADA on the P-2 attendance report in accordance with state guidelines.

Cause: The divisor and spreadsheet used to compute adult education average daily attendance was not independently verified for accuracy prior to completing the P-2 attendance report.

Recommendation: Someone other than the individual, who prepared the attendance reports, should verify that the divisors and spreadsheets utilized to compute student attendance are appropriate for each program offered. In addition, the P-2 attendance report should be amended to reflect 34.03 ADA on Line B-3.

District Response: The District will establish procedures that require someone other than the individual who prepares the attendance reports, to verify that the divisors and spreadsheets utilized to compute student attendance are appropriate for each program offered. In addition, the P-2 attendance report will be amended to reflect 34.03 ADA on Line B-3.

WINDSOR UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)

05 - 5 / 10000

ATTENDANCE REGISTERS

Criteria: Attendance registers generated by the District's student information system should be signed at the end of each school month, by the teachers who recorded the attendance, to attest to its accuracy and completeness. In addition, the teacher certified attendance registers should be maintained in an auditable manner and be sorted by teacher, class period, and date.

Condition: The teacher certified attendance registers were not maintained in an auditable manner.

Questioned Costs: None. We determined that the attendance entered by the teachers directly into the student information system was reasonable and could be relied upon for attendance reporting purposes.

Context: The condition was limited to Windsor High School.

Effect: The District was unable to provide teacher certified attendance registers in a timely manner.

Cause: Student helpers frequently assist the attendance clerk with the filing of teacher certified attendance registers. Accordingly, teacher certified attendance registers are not always filed in an appropriate manner.

Recommendation: The District should consider discontinuing the practice of using student helpers in positions that may jeopardize District funding.

District Response: The District will establish procedures for filing teacher certified attendance registers by school month, teacher name, and class period. In addition, the District will also establish monitoring procedures to ensure that the filing procedures are being adhered to.

**WINDSOR UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<b><u>FINANCIAL STATEMENTS</u></b>		
<b>04 - 1 / 30000</b>		
<b><u>STAFFING</u></b>		
The District should provide adequate staffing in the business office to provide employees with sufficient time to complete their assigned job duties in a timely manner and to provide management with sufficient time to manage and review the work completed by the individuals under their control.	Implemented	
<b>04 - 2 / 30000</b>		
<b><u>COST ALLOCATION - CHARTER SCHOOL</u></b>		
The District should review the cost allocations that were made during the past few years and determine if any adjustments need to be made to the respective fund balances of the Sponsoring District and the Charter School. In addition, all cost allocations should be approved in the form of "Memorandums of Understanding" to ensure that formal guidelines exist for the equitable allocation of costs in the future.	Partially Implemented	Comment Not Repeated  (The District has hired a consultant who will assist the District in determining the amounts that should be allocated to each entity.)
<b>04 - 3 / 30000</b>		
<b><u>CAPITAL ASSETS</u></b>		
The District should implement a capital asset system that will provide all of the capital asset information that is needed to fairly present capital assets in the District's annual financial statements.	Implemented	



**WINDSOR UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<b><u>FINANCIAL STATEMENTS (CONTINUED)</u></b>		
<b>04 - 4 / 30000</b>		
<b><u>ATTENDANCE - ACCOUNTING SOFTWARE</u></b>		
The District should work towards obtaining and implementing one quality attendance accounting software for the entire District. The attendance system selected should include a complete student information system that can easily be accessed by individuals at the business office and at each of the school sites. In addition, the system should also include features that will automatically compute information that must be reported for the K-3 class size reduction, and Morgan Hart class size reduction programs.	Implemented	
<b>04 - 5 / 30000</b>		
<b><u>STUDENT BODY - INDEPENDENT CONTRACTOR REPORTING</u></b>		
The District should establish procedures that require all payments made to independent contractors be processed through the District's financial system. The student body should then reimburse the District and shift the independent contractor reporting responsibility to the business office, where they are better equipped to track and accumulate payments to independent contractors.	Implemented	
<b>04 - 6 / 30000</b>		
<b><u>STUDENT BODY - ACCOUNTING SYSTEM SOFTWARE</u></b>		
The District should consider investing in accounting system software that is specifically designed to meet the needs of student body accountants. The software selected should provide a proper audit trail for all student body transactions, produce meaningful reports, and include features, which prevent data from being modified or deleted without detection.	Not Implemented	Comment Repeated (See 05 - 1 / 30000)

**WINDSOR UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
<b><u>FINANCIAL STATEMENTS (CONCLUDED)</u></b>		
<b>04 - 7 / 30000</b>		
<b><u>STUDENT BODY - FINANCIAL STATEMENTS</u></b>		
The District should require student body personnel to submit annual financial information to the business office prior to the arrival of the auditors.	Implemented	
<b>04 - 8 / 30000</b>		
<b><u>STUDENT BODY - EQUIPMENT INVENTORY</u></b>		
The District should develop and maintain a student body equipment inventory that is updated annually and provided to each site at the beginning of each school year to ensure that the equipment is used as intended.	Implemented	
<b>04 - 9 / 30000</b>		
<b><u>STUDENT BODY - CASH RECEIPTS</u></b>		
The District should actively enforce student body procedures, which require cash deposit summary sheets to be completed, signed, and retained to support all student body deposits. In addition, the student body account clerk should verify the cash count and note any differences on the deposit summary. All significant over/short amounts noted should be brought to the attention of the Principal immediately.	Not Implemented	Comment Repeated (See 05 - 2 / 30000)
<b>04 - 10 / 30000</b>		
<b><u>STUDENT BODY - CASH BALANCES</u></b>		
The District should consider investing a portion of the cash balance in another bank, or enter into collateralization agreement with the current bank to safeguard the balance, which exceeds the \$100,000 FDIC insured limit.	Implemented	

WINDSOR UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<b><u>STATE AWARDS</u></b>		
<b>04 - 11 / 40000</b>		
<b><u>INSTRUCTIONAL TIME AND STAFF DEVELOPMENT REFORM PROGRAM</u></b>		
The ITSDR Final Statement of Activities form should be independently verified for mathematical accuracy prior to being submitted to the State.	Implemented	
In addition, the District should revise the ITSDR Final Statement of Activities for 2003-04 to reflect the audit determined amounts.	Implemented	
<b>04 - 12 / 40000</b>		
<b><u>ATTENDANCE RECORDING</u></b>		
The District should enforce procedures that require teachers to log into the attendance accounting system to record attendance.	Implemented	
<b>04 - 13 / 40000 / 30000</b>		
<b><u>INSTRUCTIONAL MINUTES CALCULATIONS</u></b>		
The District should require the business office to perform a detailed review of all instructional minute calculations and bell schedules submitted from the school sites at the beginning and end of the school year.	Partially Implemented	Comment Repeated (See 05 - 3 / 40000 / 30000)

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## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Windsor Unified School District (the "District") in connection with the execution and delivery of \$7,445,000 aggregate principal amount of Windsor Unified School District Certificates of Participation (2006 Capital Projects) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2006 (the "Trust Agreement"), by and among the District, the Windsor Unified School District Facilities Corporation, and U.S. Bank National Association, as trustee (the "Trustee"). Pursuant to Section 11.08 of the Trust Agreement, 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 Certificates 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 Trust Agreement, 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 Certificates (including persons holding Certificates 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 Certificate 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 [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm).

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

"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 S.E.C. as listed at <http://www.sec.gov/info/municipal/nrmsir.htm>.

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 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 Issuer'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 statement 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.
- \* A summary of the aggregate amount of, final maturity dates of, and debt service or lease payments for the then-current year with respect to, any long-term debt or obligations (including lease obligations) payable from the District's General Fund.
- \* Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the counties in which the District is located.
- \* 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 counties in which the District is located.

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 Certificates, if material:

1. principal and interest payment delinquencies.
2. non-payment related defaults.
3. unscheduled draws on debt service reserves reflecting financial difficulties.
4. unscheduled draws on credit reflecting financial difficulties.
5. substitution of credit or liquidity providers, or their failure to perform.
6. adverse tax opinions or events affecting the tax-exempt status of the Certificates.
7. modifications to rights of Holders.
8. optional, contingent or unscheduled bond calls.
9. defeasances.
10. release, substitution or sale of property securing repayment of the Certificates.
11. rating changes.
12. if a "qualified" or "negative" certification has been issued with respect to the District pursuant to Education Code Section 42133 et seq.

(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)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Certificates pursuant to the Trust Agreement.

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 any 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 prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, 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 Certificates, 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 Certificates, 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 Certificates in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement 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 Certificates.

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 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 Certificates (or the Trustee, as provided in Section 11.08 of the Trust Agreement) 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 Santa Barbara 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 Trust Agreement, 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 Certificates, and shall create no rights in any other person or entity.

Date: June \_\_, 2006.

WINDSOR UNIFIED SCHOOL DISTRICT

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Superintendent

CONTINUING DISCLOSURE EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: WINDSOR UNIFIED SCHOOL DISTRICT  
Name of Issue: WINDSOR UNIFIED SCHOOL DISTRICT CERTIFICATES OF PARTICIPATION (2006 CAPITAL PROJECTS)  
Date of Issuance: JUNE \_\_ , 2006

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates 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: \_\_\_\_\_

WINDSOR UNIFIED SCHOOL DISTRICT

\_\_\_\_\_ [to be signed only if filed]

## APPENDIX E

### COUNTY OF SONOMA INVESTMENT POLICIES AND DESCRIPTION OF INVESTMENT POOL

This section provides a general description of the County's investment policy, current portfolio holdings, and valuation procedures. The information has been prepared by the County Treasurer for inclusion in this Official Statement. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained from the office of the Treasurer-Tax Collector of the County of Sonoma, 585 Fiscal Drive, Room 101F, Santa Rosa, CA 95403. Telephone: (707) 565-3294.

#### Investment Policy

Under the authority delegated to the County Treasurer by the Board of Supervisors to invest and reinvest all of the funds in the County Treasury and, in accordance with the California Government Code, the following sets forth the investment policy of the County of Sonoma:

1. Policy Statement

The purpose of this Investment Policy (Policy) is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the stewardship of the Sonoma County Pooled Investment Fund. Each transaction and the entire portfolio must comply with California Government Code Section 53601, et. seq., Section 53635, et. seq., and this policy. All portfolio activities will be judged by the standards of the Policy and ranking of investment objectives.

2. Standards of Care

The County Treasurer is the Trustee of the Pooled Investment Fund and, therefore, a fiduciary subject to the prudent investor standard. The County Treasurer, employees involved in the investment process and the members of the Pooled Investment Fund Oversight Committee (Oversight Committee) shall refrain from all personal business activity that could conflict with the management of the investment program. All individuals involved will be required to report all gifts and income in accordance with California State law. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the County Treasurer shall act with the care, skill, prudence and diligence to meet the aims of the investment objectives listed in the Policy.

3. Investment Objectives

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

- a. SAFETY OF CAPITAL –The preservation of capital is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they be from securities default or erosion of market value.
- b. LIQUIDITY –As a second objective, the Pooled Investment Fund should remain sufficiently flexible to ensure the County Treasurer meets all operating requirements which may be reasonably anticipated in any depositor's fund.

- c. **MAXIMUM RATE OF RETURN** –As the third objective, the Pooled Investment Fund should be designed to attain a rate of return through budgetary and economic cycles, consistent with the risk limitations, prudent investment principles and cash flow characteristics identified herein.

4. **Implementation**

In order to provide direction to those responsible for management of the Pooled Investment Fund, the County Treasurer has established this Policy and presented it to the Pooled Investment Oversight Committee and the Board of Supervisors, and has provided the report to the legislative body of local agencies that participate in the Pooled Investment Fund.

The Policy defines investible funds; authorized instruments; credit quality required; maximum maturities and concentrations; collateral requirements; qualifications of broker-dealers and financial institutions doing business with, or on behalf of, the County; limits on gifts and honoraria; the reporting requirements; the Pooled Investment Fund Oversight Committee; the manner of appropriating costs; and the criteria to request withdrawal of funds.

5. **Participants**

- . **STATUTORY PARTICIPANTS** –General Participants are those government agencies within the County of Sonoma for which the Sonoma County Treasurer is statutorily designated as the Custodian of Funds.
  - a. **VOLUNTARY PARTICIPANTS** –Other local agencies, such as Special Districts and Cities for which the Treasurer is not the statutory designated Custodian of Funds may participate in the Pooled Investment Fund. Such participation is subject to the consent of the County Treasurer and must be in accordance with the California Code Section 53684, et seq. The agency must approve in writing the Sonoma County Pooled Investment Fund as an authorized investment and accept the County of Sonoma Investment Policy.

6. **Authorized Persons**

The Sonoma County Board of Supervisors, by resolution, has delegated investment responsibility for the Sonoma County Investment Program to the Treasurer–Tax Collector. Daily management responsibility of the investment program has been assigned to the Assistant Treasurer. The Treasury Manager or the Administrative Services Officer are also authorized to initiate investment transactions.

All investment decisions shall be made with care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting as a trustee, in a like capacity and familiarity would use in the conduct of funds of a like character, and with like aims, to safeguard the principal and maintain the liquidity needs of depositors.

7. **Authorized Investments**

Authorized investments shall match the general categories established by the California Government Code Sections 53601, et. seq. and 53635, et. seq. Authorized investments shall also include, in accordance with California Government Code Section 16429.1,

investments into the State Local Agency Investment Fund (LAIF). As the California Government Code is amended, this Policy shall likewise become amended.

8. Prohibited Investments

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

9. Investment Criteria

Name	Maximum Maturity	Max % of Pool	Rating
U. S. Treasury and Agency Securities	5 yr.	100	N/A
Bonds issued by the local agencies	5 yr.	100	N/A
Registered State Warrants and Municipal Notes	5 yr.	100	N/A
Bankers Acceptances (See Section 10)	180 days	40	N/A
Commercial Paper (See Section 11)	270 days	40	A1+, P1, or F1
Negotiable Certificates of Deposit	5 yr.	30	N/A
Repurchase Agreements (See Section 12)	1 yr.	100	N/A
Reverse Repurchase Agreements (See Section 12)	92 days	20	N/A
Medium Term Corporate Notes	5 yr.	30	A
Shares of a Mutual Fund		20	Aaa or AAAM or Section 13
Collateralized Mortgage Obligations	5 yr.	20	AA
Joint Powers agreement	5 yr.	20	

10. Bankers Acceptance

No more than 30 percent of the agency's surplus funds may be invested in the bankers acceptances of any one commercial bank pursuant to this section.

11. Commercial Paper

All commercial paper issuers must maintain an "A1" rating by Standard & Poor's Corporation, a "P1" rating by Moody's Investor Service, or a "F1" rating by Fitch Financial Services issued by corporations operating within the United States, and having

total assets in excess of five hundred million dollars (500,000,000.00). As used in this policy, "corporation" includes a limited liability company.

12. Repurchase and Reverse Repurchase Agreements / Lending Agreements  
Under California Government Code Section 53601, Paragraph (l) and Section 53635 the County Treasurer may enter into Repurchase Agreements and Reverse Repurchase Agreements / Lending Agreements. The maximum maturity of Repurchase Agreements shall be one year. The maximum maturity of a reverse repurchase agreement shall be 92 days, and the proceeds of a reverse repurchase agreement / lending agreements may not be invested beyond the expiration of the agreement. The reverse repurchase agreement / lending agreements must be "matched to maturity."
  
13. Shares of a Mutual Fund  
A Mutual Fund managed by an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by Government Code Section 53601, subdivisions (a) to (j), inclusive, or subdivisions (m) or (n) and with assets under management in excess of five hundred million dollars (\$500,000,000.00).  
[http://www.sonoma-county.org/tax/about\\_treasurer.htm-top#top](http://www.sonoma-county.org/tax/about_treasurer.htm-top#top)
  
14. Joint Power Agreement  
With approval of the Board of Supervisors, the Treasurer is allowed to enter into a Joint Power Agreement with governments whose policies are consistent with or more restrictive than Sonoma County's Statement of Investment Policy.
  
15. Collateral  
Repurchase agreements executed with approved broker-dealers must be collateralized with either: (1) U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily; or (2) money market instruments which are on the approved list of the County and which meet the qualifications of the Policy, with a market value of 102%. Use of mortgage-backed securities for collateral is not permitted. For purposes of investing the daily excess bank balance, the collateral provided by the County's depository bank can include mortgage-backed securities valued at 100%.
  
16. Criteria for the Selection of Broker/Dealers and Financial Institutions  
All transactions initiated on behalf of the Pooled Investment Fund and Sonoma County shall be executed through either government security dealers reporting as primary dealers to the Market Reports Division of the Federal Reserve Bank of New York, financial institutions that directly issue their own securities which have been placed on the Approved List of Broker/Dealers and Financial Institutions or broker/dealers in the State of California approved by the County Treasurer based on the reputation and expertise of the company and individuals employed. All Dealers and financial institutions must have a strong industry reputation and open lines of credit with other dealers. Further, these firms must have an investment grade rating from at least one national rating service, if applicable.  
  
Broker/Dealers and financial institutions which have exceeded the political contribution limits within a four year period to the County Treasurer or any member of the governing

board of a local agency or any candidate for those offices, are prohibited from the Approved List of Broker/Dealers and Financial Institutions.

Each broker/dealer or financial institution will be sent a copy of this Policy and a list of those persons authorized to execute investment transactions. Each firm must acknowledge receipt of such materials to qualify for the Approved List of Broker/Dealers and Financial Institutions.

Each broker/dealer and financial institution authorized to do business with Sonoma County shall, at least annually, supply the County Treasurer with audited financial statements.

#### 17. Withdrawal Requests

- . STATUTORY PARTICIPANTS –The County Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Sonoma County Auditor–Controller at a one dollar net asset value. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the County Treasurer. In accordance with California Government Code Section 27136, et seq., such requests for withdrawals must first be made in writing to the County Treasurer. These requests are subject to the County Treasurer’s consideration of the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Pooled Investment Fund. Any withdrawal for such purposes shall be at the market value of the Pooled investment Fund as of the date of the withdrawal.
  - a. VOLUNTARY PARTICIPANTS –For outside participants who utilize Government Code Section 53684, where the County Treasurer does not serve as the agency’s treasurer, any withdrawal request, with the exception of normal cash flow withdrawals, shall submit the request for withdrawal to the County Treasurer to determine the timing of the payout, in order that the withdrawal will not adversely affect the interests of the other depositors in the County Treasury Investment Fund. Withdrawals will be paid based upon the market value of the Pooled Investment Fund. If the Treasurer deems appropriate, the deposits may be returned at any time.

#### 18. Delivery and Safekeeping

Delivery of all securities shall be either to the County Treasurer or to a third party custodian. No securities shall be held in the safekeeping of a broker / dealer unless it is collateral for a reverse repurchase agreement.

#### 19. Apportionment of Interest and Costs

Interest shall be apportioned to all pool participants quarterly, based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the Investment Pool. The amount of interest apportioned shall be determined using the accrual method of accounting, whereby interest will be apportioned for the quarter in which it was actually earned. The Treasurer shall deduct from the gross interest earnings those budgeted administrative costs relating to the management of the Treasury, including salaries and other compensation, banking costs, equipment costs, supplies, the cost of information services, audit and any other costs as provided by Section 27013 of

the Government Code. The deduction shall be adjusted to actual cost in the fourth quarter of the fiscal year.

20. Review, Monitoring and Reporting of the Portfolio

Quarterly, the County Treasurer will provide to the Pooled Investment Fund Oversight Committee, the Board of Supervisors and to any local agency participant a report on the Pooled Investment Fund. The report will list the type of investments, name of issuer, maturity date, par amount and dollar amount of the investment. For the total Pooled Investment Fund, the report will list average maturity, the market value and the pricing source. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Investment Policy and a statement of the Pooled fund's ability to meet the expected expenditure requirements for the next six months.

Annually, the County Treasurer shall provide to the Oversight Committee a Statement of Investment Policy. Additionally, the County Treasurer will render a copy of the Statement of the Investment Policy to the legislative body of the local agencies that participate in the Pool.

21. Limits on Honoraria, Gifts and Gratuities

In accordance with California Government Code Section 27133 (d), et seq., this Policy hereby establishes limits for the County Treasurer, individuals responsible for management of the portfolios, and members of the Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of \$50 in a calendar twelve month time period from a Broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the County Treasurer and complete the appropriate State forms.

No individual may receive aggregate gifts, honoraria and gratuities in a calendar twelve (12) month time period in excess of the limits established by the Fair Political Practices Commission (FPPC). Any violation must be reported to the FPPC on an annual basis.

22. Audits

The County Auditor shall audit the County Treasurer's investment function for compliance with policy and state law. The results of this audit shall be reported on, at least annually, to the Treasurer and the Oversight Committee. In addition, the County Auditor shall perform a quarterly review of current investments and report any material non-compliance with the Investment Policy or state law.

23. Exception to the Policy

The County Treasurer, except as prohibited by state law, can make exceptions to the investment purchasing limits when he deems it in the best interest of all of the pool participants. All exceptions will be reported in the quarterly report.

24. Investment of Bond Proceeds

The County Treasurer shall invest bond proceeds using the standards of the County of Sonoma's Investment Policy. The bond proceeds will be invested in securities permitted by the bond documents. If the bond documents are silent, the bond proceeds will be invested in securities permitted by the County of Sonoma's Investment Policy.



## Investment Oversight Committee

The Investment Oversight Committee, created by resolution of the Board of Supervisors in 1996 in accordance with California Government Code, represents all government agencies for which the Sonoma County Treasury is statutorily designated as the custodian of funds as well as other local agencies, such as Special Assessment districts and cities, for which the Treasury does not have statutory oversight but who rely on the Treasurer for investment of public funds.

Representatives of cities and districts where the Treasurer does not have statutory oversight participate subject to the consent of the Treasurer and in accord with California Government Code. Membership includes a representative appointed by the County Board of Supervisors; the Sonoma County Superintendent of Schools or her/his designee; a representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the county; and a representative selected by a majority of the presiding officers of the legislative bodies of the special districts in the county that are required or authorized to deposit funds in the county treasury and a representative of the Sonoma Retirement Board.

## County Pooled Investment Fund

The County Treasurer manages the County's investment pool in which certain funds of the County and certain funds of other participating entities are invested pending disbursement. Amounts held for the County, school districts and special districts located within the County constitute 99% of the County Pool. The County Treasurer is the ex officio treasurer of each of these participating entities, which therefore are legally required to deposit their cash receipts and revenues in the County treasury. Under State law, withdrawals by such mandatory participants are allowed only to pay for expenses that have become due. The remaining 1% of the amounts in the County Pool are not legally required to be maintained in the County Pool and can be withdrawn by the depositors for whom these amounts are held, provided such withdrawal will not adversely affect other County Pool participants.

Each governing board of school districts and special districts within the County may allow, by appropriate board resolutions, certain withdrawals of non-operating funds for purposes of investing outside the County Pool. None of the participating entities are currently using this authority. Some districts have from time to time authorized the County Treasurer to purchase specified investments for certain district funds to maturity on predetermined future dates when cash would be required for disbursements.

**SONOMA COUNTY POOLED INVESTMENT PROGRAM**  
**For Quarter Ending March 31, 2006**

BEGINNING FUND BALANCE (01/01/2006)	\$1,325,218,200
ENDING FUND BALANCE	\$1,309,840,500
AVERAGE DAILY FUND BALANCE	\$1,300,365,276
TOTAL INTEREST EARNED (after fees)	\$12,154,853
INTEREST RATE (after fees)	3.791
INTEREST RATE (before fees)	3.906

**TOTAL FUNDS MANAGED BY TREASURY**

TOTAL TREASURY BALANCE (including deferred compensation, tobacco endowment, special TRAN investments, active bank accounts and money in transit)	\$1,544,458,444
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ATTACHED IS THE DETAIL OF THE COUNTY TREASURY INVESTMENT POOL

# SONOMA COUNTY QUARTERLY INVESTMENT REPORT

## Quarter Ending March 31, 2006

### **INVESTMENT POOL YIELD:**

The yield during this quarter is 3.906% before fees and 3.791% after fees.

### **MARKET VALUE:**

The market value of the portfolio as of March 31, 2006, is at 99.64% of cost. The market values are up from the last Quarterly Report. Market values were obtained from Sungard Financial Systems and Bloomberg.

### **REVERSE REPURCHASE AGREEMENTS:**

The pool has no reverse repurchase agreements.

### **WEIGHTED AVERAGE MATURITY:**

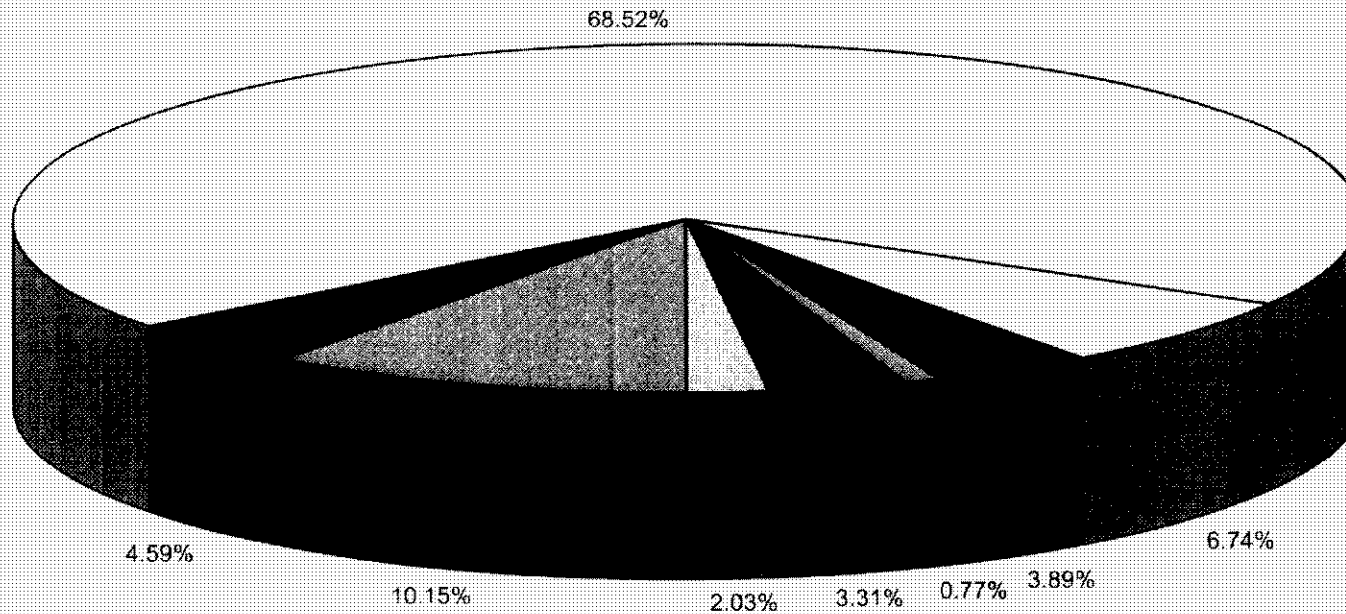
The weighted average days to maturity is 330 days.

### **CHARTS:**

Several charts are included for your review.

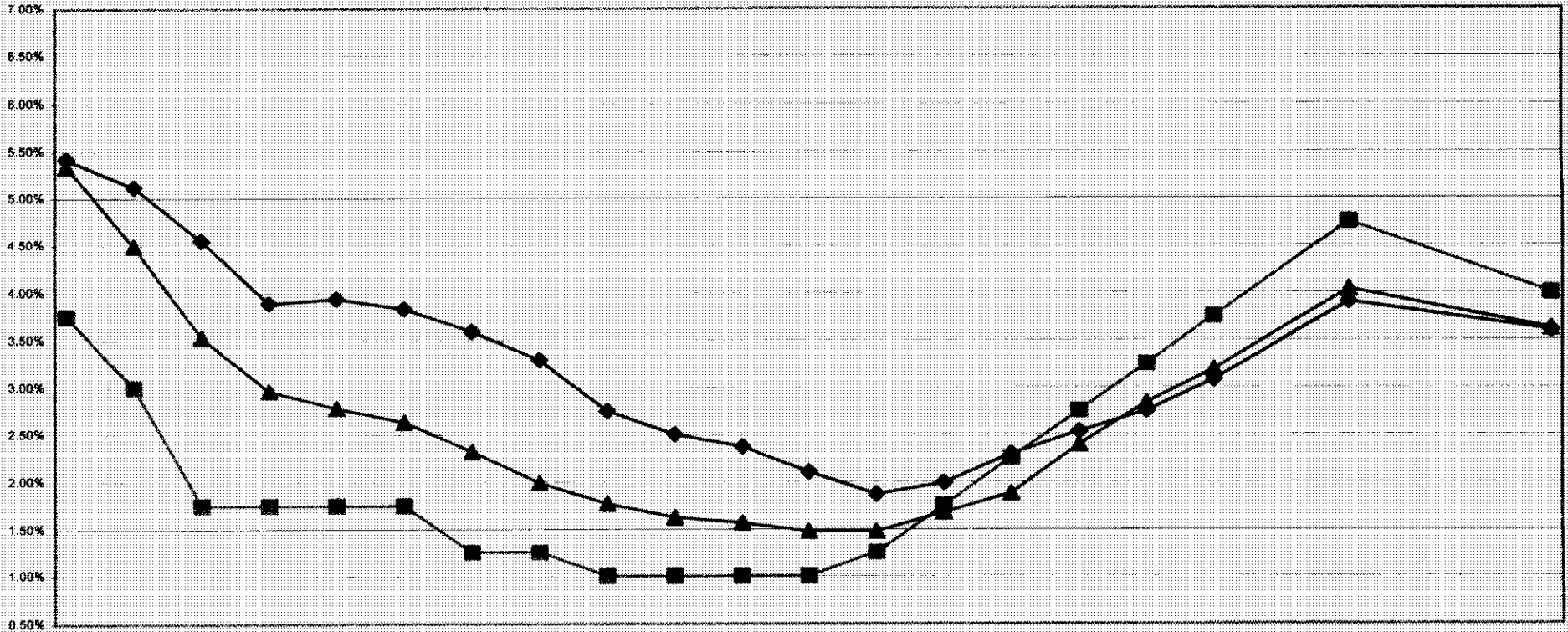
- Chart 1:** The composition of the Investment Pool by the type of investment.  
**Chart 2:** Interest earnings of the Sonoma County Investment Pool compared to FED FUNDS and Local Agency Investment Fund.

**SONOMA COUNTY'S POOLED INVESTMENTS AS OF 03/31/2006**



- CORPORATE BONDS AND NOTES 10.15%
- OTHER GOVERNMENT POOLS & IPA's 4.59%
- OTHER GOVERNMENT 68.52%
- COMMERICAL PAPER 6.74%
- TREASURY BILLS AND NOTES 3.89%
- NEGOTIABLE CERTIFICATES OF DEPOSIT 0.77%
- CASH, CHECKS, AND WARRANTS 3.31%
- MONEY MARKET MUTUAL FUNDS 2.03%

## SONOMA COUNTY TREASURER INVESTMENT POOL QUARTERLY YIELD COMPARISON



	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05	Dec-06	Mar-06
Pool	5.42%	5.12%	4.55%	3.89%	3.94%	3.83%	3.59%	3.29%	2.75%	2.50%	2.37%	2.10%	1.87%	1.99%	2.29%	2.53%	2.75%	3.08%	3.60%	3.91%
Fed Fund	3.75%	3.00%	1.75%	1.75%	1.75%	1.75%	1.25%	1.25%	1.00%	1.00%	1.00%	1.00%	1.25%	1.75%	2.25%	2.75%	3.25%	3.75%	4.00%	4.75%
LAF	5.34%	4.49%	3.53%	2.96%	2.78%	2.63%	2.32%	1.99%	1.77%	1.63%	1.57%	1.48%	1.48%	1.68%	1.88%	2.19%	2.84%	3.19%	3.62%	4.04%

\*This does not include special TRAN investments & deferred compensation  
 Source: County of Sonoma, Office of the Treasurer-Tax Collector

**SONOMA COUNTY POOLED INVESTMENTS**

AS OF 03/31/2006

	<b>BOOK VALUE</b>
CHECKS AND WARRANTS IN TRANSIT	\$2,648,443
CASH IN VAULT	\$113,157
CASH IN BANK	\$40,738,849
TREASURY BILL NOTES	\$50,988,330
BANKERS ACCEPTANCES	\$0
OTHER GOVERNMENTS	\$897,426,270
COMMERCIAL PAPER	\$88,275,522
CORPORATE BONDS AND NOTES	\$132,893,570
NEGOTIABLE CERTIFICATES OF DEPOSIT	\$10,066,402
OTHER GOVERNMENT POOLS AND JPA'S	\$60,121,455
MONEY MARKET MUTUAL FUNDS	\$26,568,502
<b>TOTAL*</b>	<b>\$1,309,840,500</b>

SONOMA COUNTY TREASURY POOL  
INVESTMENT INVENTORY  
AS OF MARCH 31, 2006

DESCRIPTION	YIELD TO MATURITY	PAR VALUE	BOOK VALUE	%	PURCHASE DATE	MATURITY DATE
TREASURY NOTES	3.519%	\$ 1,000,000.00	\$ 999,011.96		21-Jun-05	30-Apr-06
TREASURY NOTES	2.317%	\$ 5,000,000.00	\$ 4,999,739.79		30-Apr-04	30-Apr-06
TREASURY NOTES	2.349%	\$ 5,000,000.00	\$ 4,999,615.79		7-May-04	30-Apr-06
TREASURY NOTES	2.497%	\$ 5,000,000.00	\$ 4,997,829.15		22-Aug-03	15-Aug-06
TREASURY NOTES	2.578%	\$ 5,000,000.00	\$ 4,996,390.04		22-Aug-03	15-Aug-06
TREASURY NOTES	2.603%	\$ 10,000,000.00	\$ 10,001,320.67		2-Dec-03	15-Nov-06
TREASURY NOTES	3.073%	\$ 5,000,000.00	\$ 5,002,717.12		14-Dec-04	15-May-07
TREASURY NOTES	3.121%	\$ 5,000,000.00	\$ 5,000,182.40		20-Dec-04	15-May-07
TREASURY NOTES	3.055%	\$ 10,000,000.00	\$ 9,991,523.27		15-Nov-04	15-Nov-07
<b>SUBTOTAL TREASURY BILLS AND NOTES</b>		<b>\$ 51,000,000.00</b>	<b>\$ 50,988,330.19</b>	<b>3.89%</b>		
FEDERAL HOME LOAN BANK FNDN	2.120%	\$ 10,000,000.00	\$ 9,998,863.01		26-Apr-04	26-Apr-06
FHLMC	3.823%	\$ 28,000,000.00	\$ 27,174,731.11		15-Jul-05	27-Apr-06
CO OF SONOMA	3.210%	\$ 5,000,000.00	\$ 4,998,151.85		25-Jan-05	28-Apr-06
FNDN	2.967%	\$ 100,000.00	\$ 100,000.00		6-Apr-05	30-Apr-06
FEDERAL HOME LOAN BANK	4.434%	\$ 20,000,000.00	\$ 19,668,155.56		15-Dec-05	1-May-06
FEDERAL HOME LOAN BANK	2.690%	\$ 5,000,000.00	\$ 4,999,312.10		13-Aug-04	3-May-06
FEDERAL HOME LOAN BANK	3.870%	\$ 800,000.00	\$ 798,342.24		9-Sep-05	15-May-06
FEDERAL NATL MORTGAGE ASSOC.	4.494%	\$ 15,000,000.00	\$ 14,985,065.36		12-Dec-05	15-May-06
FHLB DN	4.451%	\$ 5,508,000.00	\$ 5,401,812.65		8-Dec-05	16-May-06
FHLB	4.699%	\$ 10,000,000.00	\$ 9,999,195.70		28-Feb-05	16-May-06
FNMA	4.468%	\$ 11,276,000.00	\$ 11,055,121.95		7-Dec-05	17-May-06
FEDERAL HOME LOAN BANK	4.302%	\$ 1,285,000.00	\$ 1,282,479.19		19-Oct-05	22-May-06
FHLMC	2.500%	\$ 5,000,000.00	\$ 4,997,139.27		11-Sep-03	2-Jun-06
FEDERAL HOME LOAN BANK	1.936%	\$ 10,000,000.00	\$ 9,998,768.66		2-Apr-04	15-Jun-06
FEDERAL HOME LOAN BANK	2.180%	\$ 10,000,000.00	\$ 9,993,901.69		5-Apr-04	15-Jun-06
FHLB	1.740%	\$ 20,000,000.00	\$ 20,005,355.16		27-Jun-03	15-Jun-06
FEDERAL NATL MORTGAGE ASSOC.	2.533%	\$ 5,000,000.00	\$ 4,999,659.97		23-Apr-04	15-Jun-06
FEDERAL NATL MORTGAGE ASSOC.	2.533%	\$ 5,000,000.00	\$ 4,999,659.97		23-Apr-04	15-Jun-06
FEDERAL NATL MORTGAGE ASSOC.	1.823%	\$ 10,000,000.00	\$ 9,998,529.93		16-Jun-03	16-Jun-06
FEDERAL NATL MORTGAGE ASSOC.	1.900%	\$ 5,000,000.00	\$ 4,998,473.50		19-Mar-04	16-Jun-06
FEDERAL NATL MORTGAGE ASSOC.	2.202%	\$ 10,000,000.00	\$ 9,990,854.34		7-Apr-04	16-Jun-06
FNDN	4.527%	\$ 22,000,000.00	\$ 21,481,386.67		9-Dec-05	19-Jun-06
FEDERAL NATL MORTGAGE ASSOC.	4.700%	\$ 5,000,000.00	\$ 5,026,428.62		10-May-02	27-Jun-06
FEDERAL FARM CR BKS CONS	2.880%	\$ 6,435,000.00	\$ 6,435,000.00		29-Dec-03	29-Jun-06
FNMA	3.100%	\$ 5,000,000.00	\$ 5,000,590.87		16-Jul-04	30-Jun-06
COOPERS GROVE	2.659%	\$ 4,054,166.68	\$ 4,054,166.68		4-Dec-05	30-Jun-06
OPEN SPACE - TAYLOR MOUNTAIN	3.743%	\$ 15,595,982.00	\$ 15,595,982.00		11-Jan-06	30-Jun-06
FNDN	4.546%	\$ 15,000,000.00	\$ 14,617,912.50		15-Dec-05	10-Jul-06
FHLMC	5.511%	\$ 5,000,000.00	\$ 4,999,864.80		16-Jul-01	15-Jul-06
FEDERAL NATL MORTGAGE ASSOC.	4.598%	\$ 20,000,000.00	\$ 19,916,703.30		15-Dec-05	15-Jul-06
FEDERAL NATL MORTGAGE ASSOC.	3.103%	\$ 5,000,000.00	\$ 4,989,453.75		19-May-04	24-Aug-06
FHLB	4.570%	\$ 10,000,000.00	\$ 10,000,000.00		14-Mar-05	14-Sep-06
FEDERAL HOME LOAN BANK	4.119%	\$ 10,000,000.00	\$ 9,994,517.80		22-Sep-05	22-Sep-06
FEDERAL HOME LOAN BANK	4.125%	\$ 10,000,000.00	\$ 10,000,000.00		27-Sep-05	27-Sep-06
FHDN	4.432%	\$ 15,000,000.00	\$ 14,402,527.09		25-Oct-05	27-Sep-06
FHLB	4.439%	\$ 25,000,000.00	\$ 24,005,533.34		26-Oct-05	27-Sep-06
OPEN SPACE - TOLAY	2.953%	\$ 11,176,018.00	\$ 11,176,018.00		27-Sep-05	27-Sep-06
FHLMC	3.827%	\$ 10,000,000.00	\$ 9,960,415.15		9-May-05	29-Sep-06
FEDERAL HOME LOAN BANK	4.020%	\$ 15,000,000.00	\$ 15,000,000.00		29-Sep-03	29-Sep-06
FHLMC	3.865%	\$ 10,000,000.00	\$ 9,958,695.72		8-Apr-05	29-Sep-06
FHLMC	3.769%	\$ 5,000,000.00	\$ 4,981,512.15		24-Jun-05	29-Sep-06
OPEN SPACE-LAWSON	2.953%	\$ 1,160,000.00	\$ 1,160,000.00		6-Oct-05	10-Oct-06
FEDERAL HOME LOAN BANK	4.877%	\$ 5,000,000.00	\$ 4,966,415.90		27-Feb-06	13-Oct-06
FEDERAL NATL MORTGAGE ASSOC.	3.742%	\$ 5,000,000.00	\$ 4,982,144.33		27-May-05	13-Oct-06
FHLMC	4.479%	\$ 25,000,000.00	\$ 24,795,110.82		26-Oct-05	15-Oct-06
FHLMC	4.620%	\$ 14,295,000.00	\$ 14,203,889.47		30-Nov-05	15-Oct-06
FEDERAL HOME LOAN BANK	4.567%	\$ 20,000,000.00	\$ 19,817,991.56		31-Oct-05	16-Oct-06
FHLMC	2.996%	\$ 5,000,000.00	\$ 4,996,147.26		18-Oct-04	18-Oct-06

SONOMA COUNTY TREASURY POOL  
INVESTMENT INVENTORY  
AS OF MARCH 31, 2006

DESCRIPTION	YIELD TO MATURITY		PAR VALUE	BOOK VALUE	%	PURCHASE DATE	MATURITY DATE
FEDERAL NATL MORTGAGE ASSOC.	3.000%	\$	10,000,000.00	\$ 10,000,000.00		22-Nov-04	22-Nov-06
FHLMC	2.500%	\$	10,000,000.00	\$ 10,000,000.00		4-Jun-03	4-Dec-06
FEDERAL NATL MORTGAGE ASSOC.	3.833%	\$	5,000,000.00	\$ 4,979,727.74		27-May-05	21-Dec-06
OPEN SPACE - MONTINI PROP	3.180%	\$	7,950,000.00	\$ 7,950,000.00		14-Dec-05	31-Dec-06
NO SONOMA CO HOSPITAL DISTRICT	3.750%	\$	7,242,914.14	\$ 7,242,914.14		1-Jan-06	31-Dec-06
FEDERAL NATL MORTGAGE ASSOC.	4.962%	\$	5,000,000.00	\$ 4,922,938.78		27-Feb-06	19-Jan-07
FEDERAL NATL MORTGAGE ASSOC.	4.212%	\$	5,000,000.00	\$ 4,996,452.89		14-Sep-05	26-Jan-07
FEDERAL HOME LOAN BANK	5.050%	\$	11,700,000.00	\$ 11,700,000.00		15-Mar-06	5-Feb-07
FEDERAL HOME LOAN BANK	2.756%	\$	5,000,000.00	\$ 4,999,735.28		7-Apr-04	9-Feb-07
FEDERAL HOME LOAN BANK	5.000%	\$	5,000,000.00	\$ 5,000,000.00		9-Mar-06	9-Feb-07
FEDERAL NATL MORTGAGE ASSOC.	2.750%	\$	10,000,000.00	\$ 10,000,000.00		9-Feb-04	9-Feb-07
FHLMC	4.753%	\$	5,000,000.00	\$ 4,899,619.74		26-Jan-06	15-Feb-07
FEDERAL HOME LOAN BANK	4.370%	\$	10,000,000.00	\$ 10,000,000.00		22-Feb-05	22-Feb-07
FEDERAL HOME LOAN BANK	4.320%	\$	10,000,000.00	\$ 10,000,000.00		22-Feb-05	22-Feb-07
FEDERAL HOME LOAN BANK	3.421%	\$	5,000,000.00	\$ 4,997,971.59		24-Jan-05	23-Feb-07
FEDERAL HOME LOAN BANK	3.421%	\$	5,000,000.00	\$ 4,997,971.59		24-Jan-05	23-Feb-07
FHLB	4.367%	\$	10,000,000.00	\$ 9,992,892.87		11-Aug-05	28-Feb-07
FEDERAL HOME LOAN BANK	4.451%	\$	10,000,000.00	\$ 9,996,797.25		1-Mar-05	1-Mar-07
FEDERAL NATL MORTGAGE ASSOC.	3.801%	\$	5,000,000.00	\$ 4,964,614.60		27-Jun-05	2-Mar-07
FEDERAL HOME LOAN BANK	3.907%	\$	5,000,000.00	\$ 4,992,713.39		5-Jul-05	15-Mar-07
FEDERAL NATL MORTGAGE ASSOC.	3.625%	\$	5,000,000.00	\$ 4,999,953.47		25-Feb-05	15-Mar-07
FEDERAL NATL MORTGAGE ASSOC.	3.625%	\$	5,000,000.00	\$ 4,999,953.47		25-Feb-05	15-Mar-07
FEDERAL HOME LOAN BANK	4.790%	\$	10,000,000.00	\$ 10,000,000.00		23-Sep-05	23-Mar-07
FEDERAL HOME LOAN BANK	4.109%	\$	14,185,000.00	\$ 14,223,971.92		14-Dec-05	13-Apr-07
FEDERAL HOME LOAN BANK	3.761%	\$	5,000,000.00	\$ 4,999,386.33		4-Mar-05	15-Apr-07
FHLMC	4.615%	\$	1,250,000.00	\$ 1,248,713.25		19-Oct-05	18-Apr-07
FEDERAL NATL MORTGAGE ASSOC.	2.875%	\$	5,000,000.00	\$ 5,000,000.00		26-Apr-04	26-Apr-07
FNMA	3.302%	\$	4,225,000.00	\$ 4,206,635.68		19-Jul-04	27-Apr-07
FHLB	4.731%	\$	10,000,000.00	\$ 10,017,672.41		5-Dec-05	11-May-07
FHLMC	2.880%	\$	5,000,000.00	\$ 4,999,745.30		16-Apr-04	15-May-07
FHLMC	2.880%	\$	5,000,000.00	\$ 4,999,745.30		16-Apr-04	15-May-07
FNMA	3.875%	\$	5,000,000.00	\$ 5,000,000.00		22-Apr-05	15-May-07
FEDERAL NATL MORTGAGE ASSOC.	4.740%	\$	5,000,000.00	\$ 4,927,261.51		16-Nov-05	15-May-07
FEDERAL NATL MORTGAGE ASSOC.	4.735%	\$	5,000,000.00	\$ 4,959,764.79		26-Jan-06	15-May-07
FEDERAL HOME LOAN BANK	4.511%	\$	20,000,000.00	\$ 19,997,842.29		21-Oct-05	21-May-07
FEDERAL HOME LOAN BANK	4.735%	\$	10,000,000.00	\$ 10,040,381.93		14-Dec-05	21-May-07
FEDERAL NATL MORTGAGE ASSOC.	4.519%	\$	1,250,000.00	\$ 1,242,885.51		19-Oct-05	23-May-07
FEDERAL NATL MORTGAGE ASSOC.	4.089%	\$	10,000,000.00	\$ 9,990,346.16		23-May-05	23-May-07
FHLB	4.055%	\$	750,000.00	\$ 749,522.25		21-Jun-05	13-Jun-07
FEDERAL HOME LOAN BANK	4.591%	\$	200,000.00	\$ 198,642.35		19-Oct-05	13-Jun-07
FHLB	3.911%	\$	750,000.00	\$ 747,505.34		21-Jun-05	20-Jun-07
FHLB	3.711%	\$	5,000,000.00	\$ 4,996,172.05		6-Jun-05	20-Jun-07
FHLB	3.711%	\$	5,000,000.00	\$ 4,996,172.05		6-Jun-05	20-Jun-07
FEDERAL NATL MORTGAGE ASSOC.	4.151%	\$	5,000,000.00	\$ 4,973,800.92		13-Jul-05	15-Aug-07
FEDERAL NATL MORTGAGE ASSOC.	4.280%	\$	11,600,000.00	\$ 11,600,000.00		29-Apr-05	26-Oct-07
FHLMC	5.012%	\$	5,000,000.00	\$ 4,998,926.32		30-Jan-06	28-Jan-08
FEDERAL HOME LOAN BANK	4.756%	\$	5,000,000.00	\$ 4,991,182.35		27-Jan-06	8-Feb-08
FEDERAL HOME LOAN BANK	3.668%	\$	5,000,000.00	\$ 4,996,204.91		18-Feb-05	15-Feb-08
FEDERAL HOME LOAN BANK	3.668%	\$	5,000,000.00	\$ 4,996,204.91		18-Feb-05	15-Feb-08
FHLB	3.790%	\$	15,000,000.00	\$ 15,000,000.00		16-Apr-03	24-Mar-08
FEDERAL NATL MORTGAGE ASSOC.	2.350%	\$	5,000,000.00	\$ 5,015,479.64		17-Jun-03	15-Jun-08
FEDERAL NATL MORTGAGE ASSOC.	2.561%	\$	10,000,000.00	\$ 9,987,521.43		27-Jun-03	15-Jun-08
FEDERAL FARM CREDIT BANK BONDS	3.421%	\$	5,000,000.00	\$ 4,995,142.48		15-Dec-04	15-Jul-08
FEDERAL FARM CREDIT BANK BONDS	3.421%	\$	5,000,000.00	\$ 4,995,142.48		15-Dec-04	15-Jul-08
FEDERAL NATL MORTGAGE ASSOC.	3.375%	\$	10,000,000.00	\$ 10,000,000.00		22-Jul-03	21-Jul-08
FHLB	4.417%	\$	750,000.00	\$ 751,441.46		22-Jun-05	28-Oct-08
FEDERAL HOME LOAN BANK	4.673%	\$	10,000,000.00	\$ 9,988,831.02		28-Oct-05	21-Nov-08
FEDERAL HOME LOAN BANK	4.355%	\$	7,400,000.00	\$ 7,334,155.39		30-Nov-05	11-Dec-08
FHLMC	4.734%	\$	5,000,000.00	\$ 4,986,166.71		18-Nov-05	19-Dec-08
FEDERAL HOME LOAN BANK	3.585%	\$	10,000,000.00	\$ 9,992,784.93		9-Mar-04	23-Jan-09



SONOMA COUNTY TREASURY POOL  
INVESTMENT INVENTORY  
AS OF MARCH 31, 2006

DESCRIPTION	YIELD TO MATURITY	PAR VALUE	BOOK VALUE	%	PURCHASE DATE	MATURITY DATE
FEDERAL FARM CREDIT BANK BONDS	4.051%	\$ 750,000.00	\$ 751,515.71		21-Jun-05	15-Apr-09
FNMA	4.339%	\$ 750,000.00	\$ 746,971.35		22-Jun-05	8-Jun-09
FHLMC	4.390%	\$ 207,732.60	\$ 208,483.42		23-Jun-05	1-Dec-09
FREDDIE MAC	4.404%	\$ 750,000.00	\$ 742,315.20		21-Jun-05	16-Feb-10
FNMA	4.651%	\$ 750,000.00	\$ 752,641.05		24-Jun-05	20-Apr-10
FHLMC	4.663%	\$ 891,088.38	\$ 902,130.36		23-Jun-05	1-Jun-10
FEDERAL NATL MORTGAGE ASSOC	4.520%	\$ 797,000.00	\$ 796,384.23		20-Jul-05	15-Jul-10
FHLMC	4.970%	\$ 1,800,000.00	\$ 1,784,239.48		23-Jan-06	22-Sep-10
<b>SUBTOTAL OTHER GOVERNMENTS</b>		<b>\$ 902,633,901.80</b>	<b>\$ 897,426,269.96</b>	<b>68.52%</b>		
WELLS FARGO NCD	5.120%	\$ 10,000,000.00	\$ 10,066,402.05	0.77%	30-Mar-06	17-Jan-07
WELLS FARGO MTN	4.841%	\$ 10,000,000.00	\$ 10,002,430.78		1-Mar-05	12-Jun-06
GE MTN	5.000%	\$ 5,000,000.00	\$ 5,038,657.48		7-Feb-02	1-Nov-06
GE MTN	4.208%	\$ 10,000,000.00	\$ 9,892,545.09		23-Sep-05	15-Jan-07
GE MTN	4.799%	\$ 5,000,000.00	\$ 5,026,153.15		9-Nov-05	15-Mar-07
GE MTN	4.788%	\$ 5,000,000.00	\$ 5,012,903.23		16-Dec-05	15-Jun-07
MERRILL MTN	4.675%	\$ 10,000,000.00	\$ 10,000,000.00		8-Jul-04	9-Jul-07
MERRILL MTN	4.729%	\$ 10,000,000.00	\$ 9,999,681.82		29-Oct-04	19-Oct-07
CTI	4.293%	\$ 359,000.00	\$ 365,768.78		23-Jun-05	30-Nov-07
VERIZON GLOBAL	4.892%	\$ 250,000.00	\$ 246,239.93		22-Dec-05	15-Jan-08
VERIZON CORP NOTE	5.249%	\$ 200,000.00	\$ 197,434.67		30-Mar-06	15-Jan-08
MORGAN STANLEY MTN	4.725%	\$ 10,000,000.00	\$ 10,000,000.00		20-Jan-05	18-Jan-08
GOLDMAN SAC MTN	4.869%	\$ 1,150,000.00	\$ 1,157,388.30		21-Oct-05	26-Feb-08
ILF MTN	4.892%	\$ 500,000.00	\$ 498,528.18		23-Jun-05	7-Apr-08
JP MORGAN	4.484%	\$ 300,000.00	\$ 311,598.38		23-Jun-05	15-Jan-09
GE MTN	4.744%	\$ 4,835,000.00	\$ 4,846,597.31		28-Feb-05	2-Feb-09
GE MTN	4.653%	\$ 500,000.00	\$ 504,715.72		23-Jun-05	20-Feb-09
CITI MTN	4.744%	\$ 10,000,000.00	\$ 9,995,666.74		23-Sep-05	9-Jun-09
GE MTN	4.994%	\$ 10,000,000.00	\$ 10,007,790.46		30-Jun-05	15-Jun-09
SLM CORP	4.795%	\$ 1,250,000.00	\$ 1,248,798.04		21-Oct-05	27-Jul-09
BEAR STEARNS MTN	5.026%	\$ 400,000.00	\$ 401,306.81		23-Jun-05	9-Sep-09
MERRILL MTN	5.017%	\$ 610,000.00	\$ 611,972.95		23-Jun-05	9-Sep-09
COUNTRY WIDE MTN	4.609%	\$ 300,000.00	\$ 295,472.82		23-Jun-05	15-Sep-09
WELLS FARGO MTN	4.961%	\$ 10,000,000.00	\$ 10,012,515.86		28-Feb-05	15-Sep-09
GE MTN	4.982%	\$ 11,800,000.00	\$ 11,815,821.74		13-Jan-05	15-Dec-09
MORGAN STANLEY MTN	4.818%	\$ 400,000.00	\$ 400,840.80		23-Jun-05	15-Jan-10
WASHINGTON MUTUAL MTN	4.965%	\$ 200,000.00	\$ 199,562.98		23-Jun-05	15-Jan-10
HSBC MTN	4.967%	\$ 500,000.00	\$ 500,126.25		23-Jun-05	10-May-10
GE MTN	4.704%	\$ 600,000.00	\$ 600,224.92		27-Oct-05	21-Oct-10
GE MTN	4.709%	\$ 13,700,000.00	\$ 13,702,826.64		16-Nov-05	21-Oct-10
<b>SUBTOTAL CORPORATE BONDS AND NOTES</b>		<b>\$ 132,854,000.00</b>	<b>\$ 132,893,569.83</b>	<b>10.15%</b>		
CRC CP	4.832%	\$ 40,000,000.00	\$ 39,983,900.00		31-Mar-06	3-Apr-06
CRC CP	4.788%	\$ 9,000,000.00	\$ 8,984,465.00		30-Mar-06	12-Apr-06
CATERPILLAR CP	4.611%	\$ 1,200,000.00	\$ 1,194,645.00		13-Mar-06	17-Apr-06
CITI FI CP	4.543%	\$ 10,000,000.00	\$ 9,882,761.11		20-Jan-06	24-Apr-06
UBS CP	4.759%	\$ 1,800,000.00	\$ 1,792,890.00		27-Mar-06	26-Apr-06
GE CP	4.527%	\$ 7,050,000.00	\$ 6,898,180.21		2-Dec-05	26-May-06
CITI CP	4.605%	\$ 10,000,000.00	\$ 9,772,500.00		4-Jan-06	5-Jul-06
CITI FI CP	4.659%	\$ 10,000,000.00	\$ 9,766,180.56		20-Jan-06	24-Jul-06
<b>SUBTOTAL COMMERCIAL PAPER</b>		<b>\$ 89,050,000.00</b>	<b>\$ 88,275,521.88</b>	<b>6.74%</b>		

SONOMA COUNTY TREASURY POOL  
INVESTMENT INVENTORY  
AS OF MARCH 31, 2006

DESCRIPTION	YIELD TO MATURITY	PAR VALUE	BOOK VALUE	%	PURCHASE DATE	MATURITY DATE
BRADFORD & MARZ	4.075%	\$ 241,726.18	\$ 241,726.18		DAILY	DAILY
FEDERATED MUTUAL FUND	4.337%	\$ 16,252,364.62	\$ 16,252,364.62		DAILY	DAILY
DREYFUS CASH MGMT	4.376%	\$ 8,074,411.29	\$ 8,074,411.29		DAILY	DAILY
HARRIS INVESTMENTS	4.364%	\$ 2,000,000.00	\$ 2,000,000.00		DAILY	DAILY
 SUBTOTAL MONEY MARKET MUTUAL FUNDS		<u>\$ 26,568,502.09</u>	<u>\$ 26,568,502.09</u>	2.03%		
 CAMP	4.333%	\$ 3,121,144.32	\$ 3,121,144.32		DAILY	DAILY
CALTRUST SHORT-TERM	4.450%	\$ 46,462,202.09	\$ 46,462,202.09		DAILY	DAILY
CALTRUST MEDIUM-TERM	2.008%	\$ 10,129,210.37	\$ 10,129,210.37		DAILY	DAILY
LOCAL AGENCY INVESTMENT FUND	4.040%	\$ 408,898.36	\$ 408,898.36		DAILY	DAILY
 SUBTOTAL OTHER GOV'T POOLS AND JPA		<u>\$ 60,121,455.14</u>	<u>\$ 60,121,455.14</u>	4.59%		
 CASH IN BANKS		<u>\$ 40,738,848.59</u>	<u>\$ 40,738,848.59</u>	3.11%	DAILY	DAILY
 CHECKS AND WARRANTS IN TRANSIT		<u>\$ 2,648,443.59</u>	<u>\$ 2,648,443.59</u>	0.20%	DAILY	DAILY
 CASH IN VAULT		<u>\$ 113,156.63</u>	<u>\$ 113,156.63</u>	0.01%	DAILY	DAILY
 TOTAL		<u>\$ 1,315,728,307.84</u>	<u>\$ 1,309,840,499.95</u>	100.00%		

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

The information in this APPENDIX F has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Certificates or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized

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

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

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

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

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

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

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

APPENDIX G

SPECIMEN INSURANCE POLICY

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## Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)



Authorized Officer of Insurance Trustee

## Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

**In Witness Whereof**, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

### Ambac Assurance Corporation



President



Secretary

Authorized Representative