

NEW ISSUE
DTC BOOK-ENTRY ONLY
CUSIP+ NO.

RATING
See "RATING" herein
S&P Rating: "SP-1+"

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Bond Counsel, based on an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Notes is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; nor is such interest taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "LEGAL MATTERS – Tax Matters" herein.

\$ __,000,000*
DAVIS JOINT UNIFIED SCHOOL DISTRICT
(YOLO COUNTY, CALIFORNIA)
2009-2010 TAX AND REVENUE ANTICIPATION NOTES
(BANK QUALIFIED)

Dated: Date of Delivery

Due: July 1, 2010

The Davis Joint Unified School District, Yolo County, California, 2009-2010 Tax and Revenue Anticipation Notes (the "Notes") are being issued to finance seasonal cash flow requirements of the Davis Joint Unified School District (the "District") during the fiscal year ending June 30, 2010 (the "Fiscal Year"). The Notes will be initially issued in book-entry form only through the book-entry system of The Depository Trust Company, New York, New York ("DTC"). See "THE NOTES—DTC Book-Entry Only" herein.

The Notes, in accordance with California law, represent the general obligation of the District, but are payable solely from taxes, income, revenue, cash receipts, and other moneys received by or accruing to the general fund of the District during the Fiscal Year and legally available for the payment of the Notes. The Notes are equally and ratably secured by a pledge of an amount equal to the aggregate principal amount of the Notes, together with an amount sufficient to pay the interest thereon, from the Unrestricted Revenues (defined herein) to be received by the District in the months during the Fiscal Year as described herein (the "Pledged Revenues"). The Notes, to the extent not paid from Pledged Revenues, are payable only from any other taxes, income, revenues, cash receipts and moneys of the District lawfully available therefor.

The Notes are legal investments for commercial banks in California and are eligible to secure deposits of public moneys in the State of California.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELEVANT TO AN INVESTMENT IN THE NOTES. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Notes will be dated their date of delivery, and will mature on July 1, 2010. The rate of interest and the offering price for the Notes are set forth below. Principal of and interest on the Notes will be paid at maturity by wire transfer to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the owners of the Notes. The Notes are not subject to redemption prior to maturity.

MATURITY SCHEDULE

| <u>AMOUNT</u> | <u>MATURITY</u> | <u>COUPON INTEREST RATE</u> | <u>REOFFERING YIELD</u> |
|----------------|-----------------|-----------------------------|-------------------------|
| \$ __,000,000* | July 1, 2010 | __% | __% |

The Notes are being purchased for re-offering by _____, as Underwriter. The Notes are offered when, as and if issued by the County on behalf of the District and received by the Underwriter, subject to approval as to their legality by Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Sacramento, California, Bond Counsel. It is anticipated that the Notes, in definitive form, will be available for delivery through the facilities of DTC in New York, New York on or about July 1, 2009.

This Official Statement is dated _____, 2009

* Preliminary; subject to adjustment

+ Copyright 2009, American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and is included for convenience of reference only. The District, the County, and the Underwriter make no representation as to the accuracy or completeness of such information.

The information contained in this PRELIMINARY OFFICIAL STATEMENT has been deemed by the District to be final as of the date hereof; however, the information contained herein is subject to completion or amendment. These securities may not be sold, nor may offers to buy be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this PRELIMINARY OFFICIAL STATEMENT constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE DISTRICT TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED HEREIN, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DISTRICT. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE NOTES BY A PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE AN OFFER, SOLICITATION OR SALE.

THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE NOTES. STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT WHICH INVOLVE ESTIMATES, PROJECTIONS, FORECASTS OR MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO DESCRIBED HEREIN, ARE INTENDED SOLELY AS SUCH AND ARE NOT TO BE CONSTRUED AS REPRESENTATIONS OF FACT.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT NO INFORMATION IS GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND ANY INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT SINCE THE DATE HEREOF.

THIS OFFICIAL STATEMENT IS SUBMITTED WITH RESPECT TO THE SALE OF THE NOTES REFERRED TO HEREIN AND MAY NOT BE REPRODUCED OR USED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE, UNLESS AUTHORIZED IN WRITING BY THE DISTRICT. ALL SUMMARIES OF THE DOCUMENTS AND LAWS ARE MADE SUBJECT TO THE PROVISIONS THEREOF AND DO NOT PURPORT TO BE COMPLETE STATEMENTS OF ANY OR ALL SUCH PROVISIONS.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY 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 NOTES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

\$ __,000,000*

DAVIS JOINT UNIFIED SCHOOL DISTRICT
(YOLO COUNTY, CALIFORNIA)
2009-2010 TAX AND REVENUE ANTICIPATION NOTES

BOARD OF EDUCATION

Gina Daleiden, President
Tim Taylor, Vice President/Clerk
Sheila Allen, Member
Richard Harris, Member
Susan Lovenburg, Member

DISTRICT ADMINISTRATION

Dr. James Q. Hammond, Superintendent
Bruce Colby, Associate Superintendent Business Services
Clark Bryant, Assistant Superintendent of Instructional Services and Elementary Education
Kevin French, Associate Superintendent Human Resources and Secondary Education

Davis Joint Unified School District
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Sacramento, California 95814-4417
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PAYING AGENT

Yolo County Auditor-Controller and Treasurer-Tax Collector
625 Court Street, Room 102
Woodland, California 95695
(530) 666-8625

\$ __,000,000*

DAVIS JOINT UNIFIED SCHOOL DISTRICT
(YOLO COUNTY, CALIFORNIA)
2009-2010 TAX AND REVENUE ANTICIPATION NOTES

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OFFICIAL STATEMENT

\$ __,000,000*

DAVIS JOINT UNIFIED SCHOOL DISTRICT (YOLO COUNTY, CALIFORNIA) 2009-2010 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page and attached appendices, is to provide certain information concerning the sale and delivery of the Davis Joint Unified School District, Yolo County, California, 2009-2010 Tax and Revenue Anticipation Notes (the "Notes") issued in the aggregate principal amount of \$ __,000,000.*

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

General

This Official Statement has been prepared under the direction of the Davis Joint Unified School District (the "District") in order to furnish information with respect to the sale and delivery of the Notes. At the request of the District, the Notes have been authorized pursuant to a resolution (the "Resolution") of the Board of Supervisors (the "County Board") of Yolo County (the "County") adopted on June 2, 2009, on the behalf of the District.

The Notes will be issued in full conformity with the Constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the State Government Code (the "Law"), and under such statute the Notes represents the general obligation of the District, but are payable solely from taxes, income, revenue, cash receipts and other moneys of the District attributable to the fiscal year commencing on July 1, 2009, and ending on June 30, 2010, and legally available.

The proceeds of the Notes will be used for current expenditures of the District's general fund (the "General Fund"), including but not limited to current expenses, capital expenditures and the discharge of other obligations or indebtedness of the District. The Notes are not subject to redemption prior to their stated maturity date.

* Preliminary; subject to adjustment

Professionals Involved

Government Financial Strategies inc., Sacramento, California has acted as financial advisor with respect to the sale and delivery of the Notes. See "FINANCIAL ADVISOR" herein. All proceedings in connection with the issuance of the Notes are subject to the approving legal opinion of Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Bond Counsel, Sacramento, California.

Other Information

This Official Statement may be considered current only as of the dated date affixed to the cover page hereto, and the information contained herein is subject to change. Brief descriptions of the Notes, the security for the Notes and the District are included in this Official Statement together with summaries of certain provisions of the Resolution. Such descriptions do not purport to be comprehensive or definitive. All references made herein to the authorizing Resolution are qualified in their entirety by reference to such document, and references herein to the Notes are qualified in their entirety by reference to the form thereof delivered to the purchaser.

Information concerning this Official Statement, the Notes, the District or any other information relating to the sale and delivery of the Notes, including the Resolution and audited financial statements of the District, are available for public inspection and may be obtained by contacting the District at the address and telephone number set forth on page "iii" of this Official Statement, or by contacting the District's financial advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California 95814-5609, telephone (916) 444-5100, facsimile telephone (916) 444-5109.

THE NOTES

Authority for Issuance

The Notes are issued under the authority of the Law and pursuant to the Resolution.

Purpose of Issue

Issuance of the Notes will provide moneys to meet the District's fiscal year 2009-10 General Fund expenditures, including but not limited to current expenses, capital expenditures and the discharge of other obligations or indebtedness of the District.

Borrowing is necessary during fiscal year 2009-10 because General Fund expenditures are expected to occur in relatively level amounts throughout the fiscal year while receipts are expected to follow an uneven pattern, primarily as a result of an uneven pattern of State and federal apportionments and secured property tax installment payments. Receipts from these three sources account for a significant portion of the District's total annual revenues. As a result, General Fund cash balance is projected to be sufficiently diminished during a portion of fiscal year 2009-10 to require the issuance of the Notes. The Notes are intended to minimize the likelihood of a cash deficit position occurring within the General Fund during fiscal year 2009-10.

Bank Qualified Obligations

The Notes are designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Description of the Notes

The Notes are being issued as fully registered Notes, without coupons, and when delivered will be 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 for the Notes. Individual purchases of the Notes will be made in book-entry form only and only in authorized denominations of \$5,000 principal amount or any integral multiple thereof. So long as Cede & Co. is the registered owner of the Notes, principal, premium, if any, and interest on the Notes will be payable to Cede & Co., as nominee for DTC, which is obligated to remit such

amounts to the Direct or Indirect Participants, as hereinafter defined, for subsequent disbursement to the actual purchaser of each Note (the “Beneficial Owner”) of the Notes. See “THE NOTES—DTC Book-Entry Only” herein.

The Notes will be dated July 1, 2009, and will mature on July 1, 2010. Principal of and the final interest payment on the Notes will be paid, at maturity, at the rate of interest stated on the cover page hereof. Interest on the Notes is computed on the basis of a 360-day year consisting of twelve 30-day months. The Notes will not be subject to redemption prior to their stated maturity date.

DTC Book-Entry Only

The following information concerning DTC and DTC’s book-entry-only system has been obtained from DTC. The District takes no responsibility for the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

The following description includes the procedures and record-keeping with respect to beneficial ownership interest in each Note, payment of principal and interest, other payments with respect to each Note to Direct Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Notes with other related transactions by and between DTC, the Participants, and the Beneficial Owners. However, DTC, the Participants, and the Beneficial Owners should not rely on the following with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be.

DTC will act as securities depository for the Notes. The Notes 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 Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each 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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC’s records reflect only the

identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District 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 to DTC.

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

Security for the Notes and Available Sources of Repayment

The Notes and the interest thereon are a general obligation of the District, but are payable solely from taxes, income, revenues, cash receipts and other moneys received by the District during fiscal year 2009-10 and legally available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues"). Certain Unrestricted Revenues to be received by the District have been specifically pledged, as hereinafter described, to the total repayment of the Notes and the interest thereon.

As security for the timely payment of the Notes and the interest thereon, the District has pledged to transfer to the County for repayment of the notes, (i) an amount equal to 25% of the aggregate principal amount of the Notes from the Unrestricted Revenues to be received by the District in or attributable to the month ending January 2010, (ii) an amount equal to 50% of the aggregate principal amount of the Notes from the Unrestricted Revenues to be received by the District in or attributable to the month ending April 2010, and (iii) an amount equal to 25% of the aggregate principal amount of the Notes from the Unrestricted Revenues to be received by the District in or attributable to the month ending May 2010, plus an amount sufficient to pay at maturity interest on the Notes. The amounts pledged by the District for transfer to and deposit by the County into the Davis Joint Unified School District 2009-2010 Tax and Revenue Anticipation Notes Repayment Fund (the "Repayment Fund") from the

Unrestricted Revenues received during such month or months are hereinafter called the pledged revenues (the “Pledged Revenues”). The principal of the Notes and the interest thereon will constitute a first lien and charge against, and will be payable from, the first moneys received by the District from the Pledged Revenues.

In the event that there have been insufficient Unrestricted Revenues received by the District by the end of such month to permit the deposit into the Repayment Fund of the full amount of the Pledged Revenues required to be deposited with respect to such month, then the amount of any deficiency in the Repayment Fund will be satisfied and made up from any other moneys of the District lawfully available for the payment of the principal of the Notes and the interest thereon (all as provided in Sections 53856 and 53857 of the Government Code) (the “Other Pledged Moneys”), on such date or thereafter on a daily basis, when and as such Pledged Revenues and Other Pledged Moneys are received by the District.

The Resolution requires the County, on the behalf of the District, to transfer the Pledged Revenues during the months such moneys are received to the Repayment Fund. Moneys are to be therein held until the Notes and all the interest thereon is paid or until provision has been made for the payment of the Notes at maturity with interest to maturity. Amounts deposited by the County, on the behalf of the District, into the Repayment Fund may not be used for any other purpose, although they may be invested in legal investments, as permitted by Section 53601 of the State Government Code, subject to the limitations contained in the Resolution.

On the maturity date of the Notes, the Yolo County Auditor-Controller and Treasurer-Tax Collector (the “County Treasurer-Tax Collector”) will apply moneys in the Repayment Fund to pay the principal of and the interest on the Notes. Until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Fund will be applied only for the purpose for which the Repayment Fund has been created.

The table below provides details as to the projected sources and amounts of Unrestricted Revenues for fiscal year 2009-10 available for Note repayment.

2009-10 Projected Unrestricted Revenues Davis Joint Unified School District

| | |
|-----------------------------|---------------|
| Revenue Limit Sources | \$ _____ |
| Other State Revenue | |
| Other Local Revenue | [to come] |
| Prior Year Receipts | |
| Note Proceeds* | _____,000,000 |
| Total Unrestricted Revenues | \$ _____ |

The District maintains certain segregated and special purpose funds outside of the General Fund. These other District funds are not pledged to the payment of the Notes and are generally restricted in purpose. However, these other District funds could be accessed by the General Fund on a temporary basis through District Board action, if needed and to the extent monies are available therein. Any transfer between funds generally is repaid to the account of origination prior to the close of the fiscal year. The District is projecting cash balances in other District funds, in aggregate, as set forth below.

* Preliminary; subject to adjustment

**Other District Funds
Davis Joint Unified School District**

| Fund | Estimated Balance as of June 30, 2009 | Projected Balance as of June 30, 2010 |
|--------------------------|---|---|
| Deferred Maintenance | \$ _____ | \$ _____ |
| Building Funds | [to come] | |
| Capital Facilities Funds | \$ _____ | \$ _____ |

Bankruptcy Risks

The opinion of Bond Counsel attached hereto as “APPENDIX C” is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. Bankruptcy of the County or the District could affect the security of the owners of Notes of the District, the ability of an owner to be paid in a timely manner, or both.

In connection with the bankruptcy petition of Orange County, California in 1994, the U. S. Bankruptcy Court originally held that the lien securing temporary notes issued by Orange County under the same statutory authority as the Notes did not attach to revenues received by Orange County after the filing of its bankruptcy petition, and therefore that the county was not required following bankruptcy to continue to set aside the revenues it had pledged under the resolution providing for the issuance of its notes. The U.S. District Court reversed the bankruptcy court and that decision was appealed. While awaiting a decision on appeal from the U. S. Court of Appeals for the Ninth Circuit, the parties settled their disputes. Accordingly, it is unclear whether the District could be required following filing of a bankruptcy petition to set aside funds as required by the Resolution.

Because the County Treasurer-Tax Collector, acting as Paying Agent, is in possession of the taxes and other revenues that the District has agreed to set aside to pay the Notes, and may deposit and invest these funds in the County's pooled investment fund (the “County Pool”), should the County go into bankruptcy, a court might hold that the owners of the Notes do not have a valid lien on the funds set aside for payment thereof. In that case, unless the owners could “trace” the funds, the owners may be merely unsecured creditors of the bankrupt County. There can be no assurance that the owners could successfully so “trace” the pledged taxes and other revenues.

If the County were to file for bankruptcy, the District may be unable to order payment of the Notes from moneys held by the County in the fund set aside for such payment. If the District were to file for bankruptcy, the County Treasurer-Tax Collector may be enjoined from applying set aside funds to payment of the Notes, or from setting aside any further moneys of the District for such payment.

Investment of Operating Funds, Note Proceeds, and Repayment Funds

State law establishes that the treasurer of each county is *ex officio* treasurer of all educational agencies within its jurisdiction. Although separately accounted for, substantially all District funds are held and invested on a pooled basis with other funds held by the County Treasurer-Tax Collector in the County Pool. The County Pool participants primarily include school districts, special districts, and the County (for both its enterprise funds and general County operating funds).

Upon delivery of the Notes, the County Treasurer-Tax Collector will deposit the Note proceeds in the Davis Joint Unified School District 2009-2010 Tax and Revenue Anticipation Notes Proceeds Fund (the “Proceeds Fund”). Subject to any additional restrictions imposed by the investment policy of the County, the County Treasurer-Tax Collector may invest (i) in any investments permitted by the Government Code, notwithstanding any limitations contained therein as to the maximum proportion of such funds that may be invested in any particular investment and meeting Standard & Poor’s criteria for investments, or any equivalent criteria of any rating agency then rating the Notes; (ii) in investment agreements, including guaranteed investment contracts, whose issuer or guarantor of issue is rated “AAA” by Standard & Poor’s, or an equivalent rating of any rating agency then rating the Notes; and (iii) in the Local Agency Investment Fund within the treasury of the State.

Sources and Uses of Funds

The sources and uses of funds in connection with the sale and delivery of the Notes are projected as set forth in the exhibit below.

**Sources And Uses Of Funds
Davis Joint Unified School District
2009-2010 Tax and Revenue Anticipation Notes**

SOURCES OF FUNDS

| | |
|------------------------|------------------|
| Par Amount of Notes* | \$ __,000,000.00 |
| Original Issue Premium | |

TOTAL SOURCES OF FUNDS

USES OF FUNDS

| | |
|------------------------|--|
| Proceeds Fund | |
| Underwriter's Discount | |

TOTAL USES OF FUNDS

COUNTY POOLED INVESTMENT FUND

This section provides a general description of the County's investment policy, current portfolio holdings, and valuation procedures. The information has been approved by the County 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 by contacting the County of Yolo, Office of the Treasurer-Tax Collector, 625 Court Street, Room 102, Woodland, CA 95695, Telephone (530) 666-8625.

Most of the District's funds are held and invested in the County Pool. Funds held by the County in the County Pool are invested in accordance with the County's investment policy, as authorized by section 53601 of the State Government Code. This pooled investment fund consists primarily of operating funds of the County and local agencies, including other school districts, cities and special districts. State law requires that all moneys of the County, school districts, and certain special districts be held by the County Treasurer-Tax Collector.

The County's investment policy must be reviewed by the County Board annually. A County Treasury Oversight Committee (which includes, among others, a representative of the Yolo County School Superintendent and a representative of the area school districts) monitors the performance of the County Pool quarterly. The policy statement sets forth the County's investment objectives, which are, in priority order, safety of principal, liquidity, and return on investment. See "APPENDIX D" for a copy of the County's investment policy, as approved by the County Board.

* Preliminary; subject to adjustment

The portfolio structure of the County Pool as of April 30, 2009 is set forth on the following table:

Yolo County Pooled Investment As of April 30, 2009

| Security Type | Market Value | Par Value | Amortized Cost |
|---|--------------|-----------|----------------|
| Securities Held by PFM Asset Mngmt. LLC | | | |
| Commercial Paper | | | |
| Corporate Note | | | |
| Federal Agency Bond/Note | | [to come] | |
| Federal Agency MBS | | | |
| Municipal Bond/Note | | | |
| US Treasury Bond/Note | | | |
| Total Securities | | | |
| Local Agency Investment Fund (LAIF) | | | |
| Accrued Interest | | | |
| Landfill Closure Trust Fund | | | |
| Cash Management Fund | | | |
| California Asset Management Program | | | |
| Checking Account | | | |
| Total Pooled Portfolio | | | |

Source: Yolo County Treasurer-Tax Collector's Office.

THE DISTRICT

General Information

The District, a political subdivision of the State of California, was established on July 1, 1962. The District provides elementary and secondary education in the south-central region of the County and a portion of the northeastern region of the unincorporated area in Solano County. All of the District's schools are located in the County. The District is located 13 miles west of Sacramento and 72 miles northeast of San Francisco. The District is traversed east-west by Interstate 80, the main route between San Francisco and Sacramento, and north-south via State Highway 113.

The District operates one K-1, one K-3 and eight K-6 elementary schools, three junior high schools, one traditional senior high school which also houses a nontraditional high school, a children's center, an adult school, an independent study school, and an alternative continuation high school.

The Board of Education and Key Administrative Personnel

The Board governs all activities related to public K-12 education within the jurisdiction of the District. The Board receives funding from local, State and federal government sources and must comply with the concomitant requirements of these funding source entities. The Board consists of five members. Each Board member is elected by the public for a four-year term of office and elections for the Board are held every two years. The Board is the decision making authority, the power to designate management, the responsibility to significantly influence operations and is accountable for all fiscal matters relating to the District. The current members of the Board are set forth below.

**Board of Education
Davis Joint Unified School District**

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------|------------------------|---------------------|
| Gina Daleiden | President | December 2010 |
| Tim Taylor | Vice President / Clerk | December 2010 |
| Sheila Allen | Member | December 2010 |
| Richard Harris | Member | December 2012 |
| Susan Lovenburg | Member | December 2012 |

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for managing the District's day-to-day operations and supervising the work of other key District administrators. The members of the District's administration and positions held are set forth on page "iii" of this Official Statement.

Average Daily Attendance

Student enrollment of a public school district in the State determines to a large extent what the school district will receive in terms of funding for program, facilities and staff needs. Average daily attendance ("ADA") is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. See "STATE FUNDING OF PUBLIC EDUCATION" herein. Set forth in the exhibit below is the ADA for the District for previous fiscal years, excluding adult education ADA.

**Average Daily Attendance
Davis Joint Unified School District**

| | <u>2004-05</u> | <u>2005-06</u> | <u>2006-07</u> | <u>2007-08</u> | <u>2008-09</u> | <u>2009-10</u> |
|---------|----------------|----------------|----------------|----------------|----------------|----------------|
| P-2 ADA | 8,276 | 8,169 | 8,225 | 8,137 | 8,173 | [to come] |

Note: ADA for fiscal years 2008-09 and 2009-10 are estimated.

Parcel Tax

In November 2007, voters within the District approved a parcel tax to support educational programs and services such as reduced class size, enhanced reading and math programs, training for teachers, school-based technology support, and other services (known as "Measure Q"). The measure was effective on July 1, 2008 and expires June 30, 2012. The District collects \$200.00 for all parcels with the exception of parcels containing two or more multi-family units. On such parcels, the District collects \$100.00 per multi-family unit. The parcel tax is not pledged to support any bond or other form of long-term debt. Voters within the District have supported similar measures during the past 24 years.

In November 2008, voters within the District approved a parcel tax to preserve existing classroom programs including math and science, English, music, physical education, librarians, secondary class size reduction, athletics and co-curricular programs including drama, debate, and journalism (known as "Measure W"). The measure is effective on July 1, 2009 and expires June 30, 2012. The District collects \$50.00 per dwelling unit for multi-dwelling parcels and \$120.00 per parcel for all other parcels. The parcel tax is not pledged to support any bond or other form of long-term debt.

Pupil-Teacher Ratios

The following table shows the pupil-to-teacher ratios for District schools for fiscal year 2007-08.

**Pupil-To-Teacher Ratios
Davis Joint Unified School District**

| <u>LEVEL</u> | <u>RATIO</u> |
|--------------|--------------|
| Elementary | 19.7 |
| Junior High | 19.6 |
| High School | 23.2 |
| Alternative | 17.1 |
| Continuation | <u>12.8</u> |
| | |
| TOTAL | <u>20.3</u> |

Source: Education Data Partnership.

Employee Relations

State law provides that employees of public school districts of the State are to be divided into appropriate bargaining units that then are to be represented by an exclusive bargaining agent.

The District has two recognized bargaining agents for its employees: Davis Teachers Association, which represents all non-management certificated staff, and the California School Employees Association, Chapter 572, which represents non-management classified employees in the following categories: business operations, clerical/secretarial, food service, maintenance and operations, paraprofessionals, and transportation and warehousing. The District's contract with the Davis Teachers Association expires June 30, 2009. The District's contract with the California School Employees Association, Chapter 572 is in negotiations for fiscal year _____.

Set forth in the following table are the District's bargaining units, number of full-time equivalent ("FTEs") budgeted for fiscal year 2008-09, and contract status.

**Bargaining Units, Number Of Employees, And Contract Status
Davis Joint Unified School District**

| <u>CERTIFICATED</u> | <u>FTEs</u> | <u>STATUS</u> |
|---|-------------|-------------------------------|
| Davis Teachers Association | 494.1 | Settled through June 30, 2009 |
| | | |
| <u>CLASSIFIED</u> | <u>FTEs</u> | <u>STATUS</u> |
| California School Employees Association, Chapter 572 | 291.6 | In negotiations. |

Pension Plans

All full-time employees of the District are eligible to participate under defined benefit retirement plans maintained by agencies of the State. Certificated employees are eligible to participate in the cost-sharing multiple-employer State Teachers' Retirement System ("STRS"). Classified employees are eligible to participate in the multiple-employer Public Employees' Retirement Fund

of the Public Employees' Retirement System ("PERS"), which acts as a common investment and administrative agent for participating public entities within the State.

STRS operates under the State of California Education Code sections commonly known as the State Teachers' Retirement Law. Membership is mandatory for all certificated employees of California public schools meeting the eligibility requirements. STRS provides retirement, disability and death benefits based on an employee's years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age fifty-five.

All full-time classified employees of the District participate in PERS, which provides retirement, disability and death benefits based on an employee's years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age fifty. These benefit provisions and all other requirements are established by State statute and District resolution. For a more complete description of the District's pension plan and annual contribution requirements, see "APPENDIX A" attached hereto.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. The pronouncement will require public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35 as follows:

- if annual revenue is \$100 million or more, implementation begins in fiscal year 2007-08
- if annual revenue is \$10 - \$100 million, implementation begins in fiscal year 2008-09
- if annual revenue is less than \$10 million, implementation begins in fiscal year 2009-10

GASB Statement No. 45 ("GASB 45") will be effective for the District for the fiscal year ending June 30, 2009.

GASB 45 provides that agencies should establish a reserve fund and annually transfer sufficient funds to this reserve in order to pay for retiree employment benefits other than pensions ("OPEB"), for the period of time agreed in union contracts. Employees who are eligible to receive OPEB while in retirement must meet specific criteria, i.e., age and years with the District.

The District provides post employment healthcare benefits as part of employee's early retirement agreement. Expenditures for OPEB are recognized on a pay-as-you-go basis. As of the year ended June 30, 2007, expenditures of \$108,775 were recognized for OPEB. The District estimates actual OPEB expenditures in fiscal year 2007-08 of \$220,000, and has budgeted \$220,000 for fiscal year 2008-09.

In September 2007, in accordance with GASB 45, Total Compensation Systems Incorporated completed an actuarial study identifying the District's OPEB liability. The study determined the District's OPEB unfunded actuarial accrued liability ("UAAL") as of May 1, 2007 to be \$12,482,499 and the annual required contribution ("ARC") to be \$1,304,998. **The District has no plans to fund its UAAL.**

DISTRICT FINANCIAL INFORMATION

Accounting Practices

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The District's basic financial statements consist of government-wide statements and fund-based financial statements. Government-wide statements, consisting of a statement of net assets and a statement of activities, report all the assets, liabilities, revenue and expenses of the District and are accounted for using the economic resources measurement focus and accrual basis of accounting. The fund-based financial statements consist of a series of statements that provide information about the District's major and non-major funds. Governmental funds, including the

District's General Fund, special revenues funds, capital project funds and debt service funds, are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, while expenditures are recognized in the period in which the liability is incurred, if measurable. Proprietary funds and fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. See "NOTE 1" in "APPENDIX A" herein for a further discussion of applicable accounting policies.

The District's independent auditor for the year ended June 30, 2008 is Perry-Smith LLP, Sacramento, California. The financial statements of the District as of and for the year ended June 30, 2008, are set forth in "APPENDIX A" attached hereto. The auditor has not performed any subsequent events review or other procedures relative to these audited financial statements since the date of its letter.

Budget and Financial Reporting Process

The District's General Fund finances the legally authorized activities of the District for which restricted funds are not provided. General Fund revenues are derived from such sources as federal and State school apportionments, taxes, use of money and property, and aid from other governmental agencies.

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

The fiscal year for all school districts is July 1 to June 30. The same calendar applies to the budgets of county offices of education, except that their budgets and reports go to the State Superintendent of Public Instruction for review. The State budget, too, is extremely important since school districts depend on it for almost all their revenue. There is a very close timing in the summer between final approval of the State budget, school finance legislation, and the adoption of local district budgets. In some years, the State budget is not approved by the deadline, which forces school districts to begin the new fiscal year with only estimates of the amount of money they will actually receive.

The District budgeting process involves continuous planning and evaluation. Within the deadlines, school districts work out their own schedules for considering whether or not to hire or replace staff, negotiating contracts with all employees, reviewing programs, and assessing the need to repair existing or acquire new facilities. Decisions depend on the critical estimates of enrollment, fixed costs, commitments in contracts with employees as well as best guesses about how much money will be available for elementary and secondary education.

The timing of some decisions is forced by legal deadlines. For example, preliminary layoff notices to teachers must be delivered in March, with final notices in May. This necessitates projecting enrollments and determining staffing needs long before a school district will know either its final financial positions for the current year or its income for the next one.

The governing board must submit a budget to the County Superintendent by July 1, and a publicized opportunity for public participation in the budget process is required by law. There are two options for budget adoption. School districts may adopt their budgets by July 1 and then revise and readopt them by September 1 after a public hearing. Alternatively, school districts may decide, by the previous October 31, to hold public hearings before adopting their budgets by July 1. School districts choosing this option revise their revenues and expenditures after the State budget act is adopted, without a second public hearing. All school districts must perform a criteria and standards review before budget adoption. In addition, those school districts on the alternative schedule for adoption must repeat the review before their revision only if the July 1 budget was disapproved. Legislation requires criteria and standards for stringent review of school districts' finances, focusing primarily on predictions of average daily attendance, operating deficit, and reserves. The legislation also dictates when and how outside committees, or an appointed Paying Agent in emergency situations, must work with school districts. This oversight is part of an effort to reduce the number of districts in financial trouble and to increase the responsible use of tax dollars.

The county superintendents monitor all school districts' budgets, ongoing financial obligations and multi-year contracts. They have specific powers for recommending actions to revise budgets. They are not, however, authorized to abrogate existing collective bargaining agreements. School districts must review their financial position for the periods ending October 31 and January 31 in order to certify their abilities to meet commitments through the rest of the school year.

Each school district is required by the State of California Education Code to file these two interim reports each year by not later than December 15 and March 15. The county offices of education must then, within 30 days, evaluate the interim reports and forward their comments to the State of California Department of Education and the State Controller's Office. Included in the

report is a certification by the president of the governing board of each school district that classifies the District according to its ability to meet its financial obligations. The certifications are grouped into three categories: Positive Certification, which designates that the District will be able to meet its financial obligations for the remainder of the fiscal year and the following two years; a Qualified Certification, which means that the District may not be able to meet its financial obligations for the remainder of the fiscal year and following two years if certain events occur; and a Negative Certification, which signifies that the District will not be able to meet its financial obligations for the remainder of the fiscal year or of the following year.

Financial Statements

Figures presented in summarized form herein have been gathered from the District's financial statements. The audited financial statements of the District for the fiscal year ending June 30, 2008, have been included in this Official Statement. See "APPENDIX C" herein. Audited financial statements for all prior fiscal years are on file with the District and available for public inspection during normal business hours. Copies of financial statements relating to any year are available to prospective investors and or their representatives upon request by contacting the District at the address and telephone number set forth on page "iii" of this Official Statement, or by contacting the District's financial advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California, 95814-5609, Tel. (916) 444-5100.

The District received positive certifications for both interim reports for the past four fiscal years.

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The following table sets forth certain General Fund information for the District.

General Fund Activity Davis Joint Unified School District

| | 2004-05 <u>Audited</u> | 2005-06 <u>Audited</u> | 2006-07 <u>Audited</u> | 2007-08 <u>Audited</u> | 2008-09 <u>Second Interim</u> |
|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------------|
| BEGINNING FUND BALANCE | \$5,010,344 | \$5,867,499 | \$7,016,659 | \$10,398,358 | \$10,794,349 |
| REVENUES | | | | | |
| Revenue Limit Sources | \$41,998,712 | \$43,639,928 | \$47,434,779 | \$48,070,461 | \$46,390,273 |
| Federal Revenues | 3,066,888 | 3,200,985 | 2,699,963 | 2,819,480 | 2,903,878 |
| Other State Revenues | 6,720,794 | 8,089,549 | 11,953,761 | 9,484,759 | 8,558,734 |
| Other Local Revenues | 8,682,416 | 8,991,992 | 9,986,652 | 10,529,530 | 11,379,748 |
| TOTAL REVENUES | \$60,468,810 | \$63,922,454 | \$72,075,155 | \$70,904,230 | \$69,232,633 |
| EXPENDITURES | | | | | |
| Certificated Salaries | \$30,900,497 | \$32,969,076 | \$35,142,038 | \$37,178,007 | \$36,910,033 |
| Classified Salaries | 9,063,714 | 10,024,690 | 11,155,374 | 12,046,580 | 12,411,317 |
| Employee Benefits | 8,162,891 | 8,771,336 | 9,200,810 | 10,113,886 | 10,924,616 |
| Books and Supplies | 3,413,267 | 3,179,316 | 3,782,336 | 2,831,332 | 4,666,048 |
| Services, Other Operating Expenses | 6,873,221 | 6,502,782 | 8,251,530 | 7,676,053 | 8,686,228 |
| Capital Outlay | 289,132 | 233,193 | 183,599 | 178,623 | 54,300 |
| Other Outgo | 666,836 | 674,162 | 922,580 | 464,356 | 504,797 |
| Direct Support / Indirect Costs | (61,694) | (67,493) | n/a | n/a | (48,610) |
| TOTAL EXPENDITURES | \$59,307,864 | \$62,287,062 | \$68,638,267 | \$70,488,837 | \$74,108,729 |
| FINANCING SOURCES (USES) | (\$303,791) | (\$486,231) | (\$55,189) | (\$19,402) | (\$265,592) |
| NET INCREASE (DECREASE) | \$857,155 | \$1,149,161 | \$3,381,699 | \$395,991 | (\$5,141,688) |
| ENDING FUND BALANCE | \$5,867,499 | \$7,016,659 | \$10,398,358 | \$10,794,349 | \$5,652,661 |

Revenues

The District categorizes its General Fund revenues into four primary sources: revenue limit sources, federal revenues, other state revenues and other local revenues.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, the state revenue limit for a school district is calculated by multiplying a “base revenue limit” per student by the school district’s student enrollment measured in units of ADA. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. The District’s base revenue limit per unit of ADA was \$5,528.11 in fiscal year 2006-07, \$5,781.82 in fiscal year 2007-08, and is estimated to be \$6,110.82 in fiscal year 2008-09.

Revenue limit sources account for approximately 65.8% of total General Fund revenues in fiscal year 2006-07 and 67.8% of General Fund revenues for fiscal year 2007-08, and are estimated to be approximately 67.0% of General Fund revenues in fiscal year 2008-09. Funding of the District’s revenue limit is accomplished by a mix of a) local taxes (composed predominantly of property taxes, and including miscellaneous taxes and community redevelopment funds, if any) and b) State apportionments of

basic and equalization aid. The District estimates receiving \$20,701,899 from local taxes and \$25,240,568 in State Aid in fiscal year 2008-09 for its revenue limit funding (before transfers).

Federal Sources. The federal government provides funding for several District programs. These federal revenues, most of which are restricted, were 3.7% of General Fund revenues in fiscal year 2006-07, were 4.0% of General Fund revenues in fiscal year 2007-08, and are estimated to be approximately 4.2% of General Fund revenues in fiscal year 2008-09.

Other State Sources. In addition to apportionment revenues, the State provides funding for several District programs. These Other State revenues, most of which are restricted, were 16.6% of General Fund revenues in fiscal year 2006-07, were 13.4% of estimated General Fund revenues for fiscal year 2007-08, and are estimated to be approximately 12.4% of General Fund revenues in fiscal year 2008-09. Included in Other State Sources are proceeds received from the State from the California State Lottery.

Other Local Sources. In addition to property taxes, the District receives additional local revenues. Revenues from Other Local Sources comprised 13.9% of General Fund revenues in fiscal year 2006-07, 14.9% of estimated General Fund revenues for fiscal year 2007-08, and are budgeted to be approximately 16.4% of General Fund revenues in fiscal year 2008-09.

Expenditures

Employee salaries and benefits account for approximately 80.9% of the District's General Fund expenditures in fiscal year 2006-07, 84.2 % of General Fund expenditures in fiscal year 2007-08, and are estimated to be 81.3% of general fund expenditures in fiscal year 2008-09. The District has 505.1 FTEs certificated employees, 295.5 FTEs classified employees and 52.1 FTEs management /confidential employees.

Short Term Borrowings

The District has in the past issued short-term tax and revenue anticipation notes. Proceeds from the issuance of notes by the District during previous fiscal years have been used to reduce inter-fund dependency and to provide the District with greater overall efficiency in the management of its funds.

Recent History Of Short Term Cash-Flow Financing Program Davis Joint Unified School District

| <u>Date of Issuance</u> | <u>Amount of Notes</u> |
|-------------------------|------------------------|
| September 12, 2001 | \$8,000,000 |
| December 11, 2002 | \$5,000,000 |
| July 2, 2003 | \$10,000,000 |
| August 25, 2004 | \$8,500,000 |
| December 15, 2005 | \$5,000,000 |
| August 14, 2007 | \$5,000,000 |
| August 5, 2008 | \$5,000,000 |

Capitalized and Bonded Lease Obligation

The District has made use of various capital and bonded lease arrangements in the past under agreements which provide for title of items and equipment being leased to pass to the District upon expiration of the lease period. The District has promised to annually appropriate the amounts necessary to make all future lease payments from available revenues.

On September 15, 2005, the District issued \$9,996,960 of Certificates of Participation for the purpose of implementing various school construction projects. All lease and capitalized lease obligations of the District as of June 30, 2008, are set forth in "APPENDIX C" attached hereto.

On _____, 2009, the District issued \$____,____ of Certificates of Participation for the purpose of implementing various school construction projects.

Outstanding Certificates of Participation Davis Joint Unified School District

| <u>Date Issued</u> | <u>Final Maturity</u> | <u>Amount Issued</u> | <u>Outstanding as of June 1, 2009 ¹</u> | <u>Debt Service in Fiscal Year 2008-09</u> |
|--------------------|-----------------------|----------------------|--|--|
| August 31, 2005 | August 1, 2018 | \$ 9,996,960 | \$9,656,960 | \$ 230,611 |
| _____, 2009 | August 1, 2019 | \$ _____ | \$ _____ | \$ _____ |

Note 1: Indicates outstanding principal of current interest certificates and accreted value of capital appreciation certificates issued in 2005.

Long Term Indebtedness

In an election held on May 23, 2000 (the “2000 Election”), voters within the District approved the issuance of \$26,000,000 aggregate principal amount of general obligation bonds for school purposes. The bonds authorized at the 2000 Election were issued in under two series; the first series was issued in 2000, and the second and final series was issued in 2002. The District has no authorization remaining under the 2000 Election.

Outstanding General Obligation Bonds Davis Joint Unified School District

| <u>Authorization</u> | <u>Issue</u> | <u>Final Maturity</u> | <u>Amount Issued</u> | <u>Outstanding as of June 1, 2009</u> | <u>Debt Service in Fiscal Year 2008-09</u> |
|----------------------|--------------|-----------------------|----------------------|---|--|
| Election of 2000 | Series 2000 | August 1, 2025 | \$13,000,000 | \$10,515,000 | \$920,003 |
| Election of 2000 | Series 2002 | August 1, 2027 | \$13,000,000 | \$11,065,000 | \$888,181 |

In an election held on November 7, 1989 (the “1989 Election”), voters within the Davis Joint Unified School District Community Facilities District No. 1 (the “CFD No. 1”) approved the issuance of \$33,300,000 aggregate principal amount of special tax bonds for school purposes. The first series of bonds, the CFD No. 1 Series 1990 Bonds, was issued in the aggregate principal amount of \$3,915,000. Following the issuance of the CFD No. 1 Series 1990 Bonds, the Board adopted supplemental resolutions which issued a second series of bonds, the CFD No. 1 Series 1991 Bonds, in the amount of \$12,430,000, a third series of bonds, the CFD No. 1 Series 1993 Bonds, in the amount of \$5,130,000, and a fourth series of Bonds, the CFD No. 1 Series 1995 Bonds, in the amount of \$1,880,000 to fund the acquisition and construction of certain facilities for and within CFD No. 1, including the payment of costs incidental to or connected with such acquisition and construction. The Board issued a fifth series of bonds, the CFD No. 1 Series 1996 Bonds, in the amount of \$21,000,000 to refund the first two series and to acquire additional facilities. The Board issued a sixth series of bonds, the CFD No. 1 Series 1997 Bonds, in the amount of \$2,780,000 and a seventh series of bonds, the CFD No. 1 Series 2001 Bonds, in the amount of \$4,943,630 to acquire additional facilities. After the issuance of the CFD No. 1 Series 2001 Bonds, the full authorization was exhausted. The Board issued an eighth series of bonds, the CFD No. 1 Refunding Series 2006 Bonds, in the amount of \$7,370,000 to refund the CFD No. 1 Series 1993 Bonds and CFD No. 1 Series 1995 Bonds. The Board issued a ninth series of bonds, the CFD No. 1 Refunding Series 2007 Bonds, in the amount of \$22,185,000 to refund, on August 15, 2007 the CFD No. 1 Series 1996 Bonds that mature on August 15, 2008 through August 15, 2026, and the CFD No. 1 Series 1997 Bonds that mature on August 15, 2008 through August 15, 2027.

Outstanding Special Tax Bonds
Davis Joint Unified School District Community Facilities District No. 1

| <u>Issue</u> | <u>Final Maturity</u> | <u>Amount Issued</u> | <u>Outstanding as of June 1, 2009</u> | <u>Debt Service in Fiscal Year 2008-09</u> |
|-----------------------|-----------------------|----------------------|---|--|
| Series 2001 | August 15, 2031 | \$4,943,630 | \$4,310,000 | \$318,083 |
| Refunding Series 2006 | August 15, 2025 | \$7,370,000 | \$7,135,000 | \$369,585 |
| Refunding Series 2007 | August 15, 2027 | \$22,185,000 | \$20,685,000 | \$1,931,500 |

In an election held on May 24, 1990 (the “1990 CFD No. 2 Election”), landowners within Davis Joint Unified School District Community Facilities District No. 2 (the “CFD No. 2”) authorized the issuance of \$70,000,000 principal amount of bonds to fund the rehabilitation and expansion of facilities within CFD No. 2 and levy a special tax to pay for the facilities including the principal and interest on the bonds. The first series of bonds authorized at the 1990 CFD No. 2 Election was issued in 1993, the second series was issued in 1995, the third series was issued in 1997, the fourth series to refund the series’ issued in 1993 and 1995 was issued in 1998, the fifth series was issued in 2001, and the sixth series was issued in 2004. After the issuance of the sixth series in 2004, approximately \$18.7 million of the \$70,000,000 authorized from the 1990 CFD No. 2 Election remains unissued.

Outstanding Special Tax Bonds
Davis Joint Unified School District Community Facilities District No. 2

| <u>Issue</u> | <u>Final Maturity</u> | <u>Amount Issued</u> | <u>Outstanding as of June 1, 2009</u> | <u>Debt Service in Fiscal Year 2008-09</u> |
|---------------------------------|-----------------------|----------------------|---|--|
| CFD No. 2 Series 1997 | August 15, 2024 | \$3,745,000 | \$2,745,000 | \$260,750 |
| 1998 CFD No. 2 Refunding Series | August 15, 2022 | \$7,290,000 | \$5,680,000 | \$591,103 |
| CFD No. 2 Series 2001 | August 15, 2028 | \$14,500,000 | \$12,235,000 | \$971,294 |
| CFD No. 2 Series 2004 | August 15, 2029 | \$11,000,000 | \$9,835,000 | \$714,213 |

The District has never defaulted on any of its long-term bonded indebtedness. All long term bonded indebtedness of the District as of June 30, 2008, is set forth in “APPENDIX A” attached hereto.

Monthly Cash Flow

The District has prepared for use in this Official Statement the following cash flow statements that show actual / estimated General Fund cash receipts and disbursements for fiscal year 2008-09, and projected General Fund cash receipts and disbursements for fiscal year 2009-10.

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COUNTY ECONOMIC PROFILE

The information in this section concerning the County's economy is provided as supplementary information only. The District encompasses only a portion of the County.

General Information

The County is one of 58 counties in California and was one of the original 27 counties created when California became a state in 1850.

Agriculture is the County's primary industry. The eastern two-thirds of the County consists of nearly level alluvial fans, flat plains, and basins, while the western third is largely composed of rolling terraces and steep uplands used for dry-farmed grain and range. The elevation ranges from slightly below sea level near the Sacramento River around Clarksburg to 3,000 feet along the ridge of the western mountains. The County's proximity to Sacramento International Airport as well as two major interstates places it within a major transportation hub of the state.

According to the Bureau of Economic Analysis, in 2005, the County had per capita personal income of \$31,041, which places it 25th in the State. This figure was 84% of the state average and 90% of the national average. Based on the U.S. Census Bureau's 2004 estimate, the median household income was \$44,810. Based on data from the MDA DataQuick Information Systems, the median resale value of single family residences and condos as well as new homes in the County was approximately \$250,000 in January 2009, down approximately 18% from \$305,000 in January 2008.

Population

Since 2005, the population of the County has grown at a rate of approximately 0.4% annually. The following displays population data for the previous five years as of January 1st for the County and select cities within the County.

Historical Population Estimates Yolo County and Selected Cities

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|-------------------|---------------|---------------|---------------|---------------|---------------|
| Davis | 64,553 | 64,830 | 65,230 | 65,568 | 66,005 |
| West Sacramento | 40,303 | 43,353 | 45,140 | 46,885 | 47,782 |
| Winters | 6,999 | 6,897 | 6,919 | 7,025 | 7,052 |
| Woodland | 53,528 | 53,179 | 54,312 | 55,657 | 56,399 |
| Balance of County | <u>22,824</u> | <u>22,813</u> | <u>23,263</u> | <u>23,191</u> | <u>23,471</u> |
| TOTAL | 188,207 | 191,072 | 194,864 | 198,326 | 200,709 |

Source: California Department of Finance

County Unemployment

The following table contains a historical summary of the County's unemployment data, seasonally unadjusted.

Historical Unemployment Data Yolo County

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Labor Force | 92,676 | 93,362 | 95,133 | 96,688 | 99,500 |
| Number of Employed | 87,031 | 88,144 | 90,193 | 91,014 | 92,200 |
| Number of Unemployed | 5,645 | 5,218 | 4,940 | 5,674 | 7,300 |
| Unemployment Rate | 6.1% | 5.6% | 5.2% | 5.9% | 7.4% |

Source: Employment Development Department.

Major Employers

The following table provides a listing of major employers in the County.

Major Employers Yolo County

| <u>Employer Name</u> | <u>Location</u> | <u>Industry</u> |
|-----------------------------------|-----------------|------------------------------------|
| Bel Air Markets | Broderick | Grocers – Retail |
| C & S Wholesale Grocers Inc. | West Sacramento | Grocers – Wholesale |
| Coventry Workers Comp. Svc. | West Sacramento | Insurance |
| Dennis Blazona Construction | West Sacramento | Construction companies |
| Mariani Nut Co. | Winters | Nuts – Edible |
| MTS Inc. | West Sacramento | Records, tapes & c.d.'s – Retail |
| Nor-Cal Beverage Co | West Sacramento | Vending machines - Manufacturers |
| Nor-Cal Beverage Co Inc. | West Sacramento | Beverages – Wholesale |
| Pacific Coast Producers | Woodland | Canned specialties – Manufacturers |
| Procurement Office | Broderick | State government – General offices |
| Raley's | Broderick | Grocers – Retail |
| Raley's Inc. | Broderick | Business management consultants |
| Roadway Express Inc. | West Sacramento | Trucking – Motor freight |
| Silvercrest Western Homes Corp. | Woodland | Modular homes – Dealers |
| Sutter Davis Hospital | Davis | Hospitals |
| Target Distribution Center | Woodland | Distribution centers - Wholesale |
| Tony's Fine Foods Inc. | Broderick | Food brokers – Wholesale |
| University of California | Davis | Schools – Universities & colleges |
| Veterinary Medical Teaching | Davis | Animal hospitals |
| Walgreens | Woodland | Pharmacies |
| Woodland Health Center | Woodland | Physicians & surgeons |
| Woodland Healthcare | Woodland | Hospitals |
| Woodland Healthcare | Woodland | Clinics |
| Xyratex International Inc. | Broderick | Machinery – Specially built |
| Yolo County Social Services Dept. | Woodland | County gov't – Social resources |

Source: California Employment Development Department, America's Labor Market Information System Employer Database, 2009 1st Edition.

TAXATION AND APPROPRIATIONS

Ad Valorem Property Taxation

The District utilizes the services of the County and Solano County for the assessment and collection of taxes for District purposes, except for public utility property that is assessed by the State Board of Equalization.

The State Constitution and sections of various State statutes provide exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals, charitable institutions and for severely handicapped individuals. The State Constitution exempts from *ad valorem* property taxation \$7,000 of full value of owner occupied dwellings, and requires the Legislature to reimburse each local government for revenue lost as a result of the exemption.

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"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Recent changes in the California electric utility industry and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility 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.

Because the District is not a "basic aid" district, any taxes lost due to a reduction in, or transfer to another jurisdiction of, utility property assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "STATE FUNDING OF PUBLIC EDUCATION—Sources of Revenue for Public Education" herein.

Alternative Method of Tax Apportionment

The County Board adopted the Teeter Plan effective July 1, 1993. The Teeter Plan guarantees distribution of 100% of the general and special assessments levied to the taxing entities within the County including the special assessments levied by the District. Under the County's Teeter Plan, a Tax Loss Reserve Account is held by the Auditor-Controller in order to cover losses resulting from unpaid taxes and assessments only to ultimately guarantee the tax collector full receipt whenever property is sold at a tax sale.

The County funds its Tax Loss Reserve Fund in the amount of 25% of the County's aggregate delinquencies held at June 30 of the preceding year. Solano County funds its Tax Loss Reserve Fund in an amount equal to 2% of that fiscal year's property tax roll. Amounts required to be maintained in each counties respective tax loss reserve fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

A county electing to utilize the Teeter Plan may elect to discontinue its use for any tax levying agency if the rate of secured tax delinquencies in any fiscal year exceeds 3% of the total of all taxes levied on the secured roll of that agency. Otherwise, the Teeter Plan is to remain in effect unless the county board orders its discontinuance or unless, prior to the commencement of any fiscal year, the county board receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the county, in which event the county board is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions, including the District. Further, the District's tax revenues would be subject to taxpayer delinquencies, and the District would realize the benefit of interest and penalties collected from delinquent taxpayers, pursuant to law.

Historical Assessed Valuations

Set forth in the table below is the total secured and unsecured historical assessed valuation for the District from fiscal year 1998-99 through 2008-09. Total Secured Assessed Value for the District includes net local secured, secured homeowner exemption and utility values. Total Unsecured Assessed Values for the District includes net local unsecured and unsecured homeowner exemption values.

**Historical Total Secured And Unsecured Assessed Valuation
Davis Joint Unified School District**

| Fiscal Year | Total Secured Assessed Value | Total Unsecured Assessed Value | Total Assessed Value | Rate of Change |
|-------------|------------------------------|--------------------------------|----------------------|----------------|
| 1998 - 99 | \$2,999,638,386 | \$102,347,157 | \$3,101,985,543 | 7.45% |
| 1999 - 00 | \$3,261,737,449 | \$113,694,333 | \$3,375,431,782 | 8.82% |
| 2000 - 01 | \$3,686,653,814 | \$138,631,326 | \$3,825,285,140 | 13.33% |
| 2001 - 02 | \$4,038,524,284 | \$167,093,110 | \$4,205,617,394 | 9.94% |
| 2002 - 03 | \$4,356,400,373 | \$177,018,263 | \$4,533,418,636 | 7.79% |
| 2003 - 04 | \$4,677,584,352 | \$168,042,816 | \$4,845,627,168 | 6.89% |
| 2004 - 05 | \$5,026,987,279 | \$165,982,728 | \$5,192,970,007 | 7.17% |
| 2005 - 06 | \$5,468,242,023 | \$174,165,914 | \$5,642,407,937 | 8.65% |
| 2006 - 07 | \$5,965,072,017 | \$174,957,785 | \$6,140,029,802 | 8.82% |
| 2007 - 08 | \$6,327,584,034 | \$182,099,985 | \$6,509,684,019 | 6.02% |
| 2008 - 09 | \$6,531,901,621 | \$198,828,261 | \$6,730,729,882 | 3.40% |

Source: Yolo County Auditor-Controller and Treasurer-Tax Collector’s Office and Solano County Treasurer’s Office

STATE FUNDING OF PUBLIC EDUCATION

Revenue for Public Education

Sources of Revenue. The State’s K-12 education system is supported primarily from State revenues, mostly sales and income taxes. The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES & EXPENDITURES). As a result, changes in State revenues may affect appropriations made by the State to school districts. State revenue sources for school districts are supplemented with local property taxes, federal aid, local miscellaneous funds, and the California State Lottery.

In recent years, approximately 58% of all funds for California K-12 public education came from the State budget, which is required to be proposed by the Governor by January 10 and adopted by June 15 of each year (although the State often is late adopting the budget). Approximately 21% of funding for K-12 education comes from local property taxes. The California Constitution limits property taxes to one percent of the value of property; property taxes may only exceed this limit to repay voter approved debt.

Statewide, approximately 13% of school districts’ revenues come from the federal government, and about 6% come from local miscellaneous sources. The latter category includes items such as food sales, money for debt repayment, interest on reserves and, in some cases, more significant sources such as developer fees and parcel taxes. Developer fees are fees that school districts can levy on new residential or commercial development within their boundaries to finance the construction or renovation of school facilities. Many school districts also seek grants or contributions, sometimes channeled through private foundations established to solicit donations from local families and businesses. School districts that still have unused school buildings or sites can lease or sell them for miscellaneous income as well. A significant number of school districts have secured the required two-thirds approval from local voters to levy special taxes on parcels or residences and/or have won voter approval, with either a two-thirds vote or a 55% majority, to sell general obligation bonds or to establish special taxing districts for the construction of schools. Use of such taxes is restricted by law.

The final revenue source for school districts is the California State Lottery. Approved by voters in late 1984, the lottery generates about 1% of total school revenues. Every three months the Lottery Commission calculates 34% of lottery proceeds for all public education institutions, the minimum according to the lottery law. Every K-14 school district receives the same amount of lottery funds per pupil from the State, which may be spent for any instructional purpose, excluding capital projects.

No other source of general purpose revenue is currently permitted for schools. Proposition 13 eliminated the possibility of raising additional *ad valorem* property taxes for general school support, and the courts have declared that fees may not be charged for school-related activities other than for busing services.

The State Revenue Limit. The State Revenue Limit was first instituted in 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district, community college district or county board of education is entitled to receive from State and local sources. Each school district has its own target amount of funding from State funds and local property taxes per ADA. This target is known as revenue limit, and the funding from this calculation forms the bulk of all school districts' income. The State Legislature usually grants annual cost-of-living adjustments (COLAs) to revenue limits. The exact amount depends on whether the school district is an elementary, high school or a unified school district.

Apportionments for revenue limits are calculated three times a year for each school district, community college district and county board of education. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Apportionment. Calculations are reviewed by the county and submitted to the State Department of Education with respect to school districts and to the Chancellor of the California Community Colleges with respect to community college districts, which, respectively, reviews the calculations for accuracy, calculates the amount of state aid owed to such school district or community college district, as the case may be, and notifies the State Controller of the amount, who then distributes the state aid.

School districts that receive their revenue limit income entirely from property taxes are called "basic aid" school districts. They are permitted to keep all their property tax money (even if it exceeds their revenue limit). As guaranteed in the California Constitution, the State must apportion \$120 per pupil. However, the categorical aid (see below) that school districts receive counts toward this requirement.

Distribution of Revenue for School Districts

General Purpose. The largest part of each school district's revenue funds general operating expenses associated with providing education, including salaries, benefits, supplies, textbooks and regular maintenance. As previously mentioned, the Revenue Limit governs the amount each school district receives. Each school district also receives some State and federal money for special programs, special costs, or categories of children with particular educational needs, called "categorical aid."

Categorical Aid. This special support goes into a school district's General Fund, but its expenditure is restricted to the purpose for which it is granted. About seventy-five percent (75%) of the total money generated for education is for general purposes, and about twenty-five percent (25%) is for categorical aid. The complex allocation system is adjusted somewhat by the State Legislature almost every year, with unpredictable effects on individual school districts.

There are a number of major federal and State categorical aid programs. Some allocations come automatically to school districts, while others require an application. Some programs are based on the characteristics of the children or families in a particular school district, such as gifted and talented, non-English speaking, migrant, low income or handicapped students. Other programs are for specific activities or expenses, such as transportation, textbooks or childcare. Each year a large amount of aid is allocated directly to the State Teachers' Retirement System (STRS) fund. For the past several years, supplemental grants have been directed to equalizing school districts' income from revenue limits plus specific categoricals. Most of the federal funds flow through the California Department of Education, which retains a certain percentage for administration.

In terms of dollars and the number of children served, the largest categorical aid program is Special Education for the Handicapped. According to court decisions and federal and California law, school districts are responsible for the appropriate education of each handicapped child from age 3 to 21 who lives within their boundaries. The allocations do not cover the cost of educating them. School districts are required to contribute a certain amount of general purpose funds for Special Education, and many spend much more. This is known as "encroachment."

School Facilities. Growing enrollments and/or aging facilities require school districts to build or make major renovations to school buildings. The income from developer fees on residential or commercial property is insufficient to fund all facilities costs.

Voter approved general obligation bond moneys may only be used for purchase or improvement of real property, while Mello-Roos taxes can be used for this as well as for ongoing maintenance or purchase of needed equipment. A majority of voters has regularly approved state bond measures for the construction or reconstruction of schools.

The 2008-09 State Budget

The information in this section has been compiled from publicly available information through the California Department of Finance. The District, the Corporation and the Underwriter do not assume any responsibility for the accuracy of such information as set forth or incorporated by reference herein, although they believe that the information provided by the above-listed sources is reliable.

On September 23, 2008, the Governor signed into law the 2008-09 Budget Act (the “2008-09 Budget”).

The State General Fund. State general fund expenditures are budgeted to be \$103.4 billion in fiscal year 2008-09, virtually no growth from estimated fiscal year 2007-08 State general fund expenditures of \$103.3 billion. State general fund revenues are budgeted to be \$101.9 billion in fiscal year 2008-09, a decrease of \$1.1 billion from estimated 2007-08 State general fund revenues of \$103.0 billion. The fiscal 2008-09 year-end reserve is budgeted to be \$1.7 billion, down from an estimated \$3.1 billion reserve for fiscal 2007-08 year-end. The 2008-09 Budget includes the effect of various measures that are not yet in State law.

Funding for Education. The State has been experiencing a consistent decline in student ADA as a result of a steady decline in birth rates throughout the 1990s. ADA for K-12 is projected to decrease from 5,947,000 in fiscal year 2007-08 to 5,916,000 in fiscal year 2008-09.

Proposition 98 sets the minimum funding levels for K-12 and community college education based on a complex set of formulas using a multitude of factors, including the prior year level of funding, State General Fund revenues, per capita personal income, and school attendance growth or decline (see “CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING REVENUES & EXPENDITURES” herein).

The 2008-09 Budget provides for \$58.1 billion in Proposition 98 funding, an increase of \$1.5 billion from estimated 2007-08 funding levels of \$56.6 billion. The State general fund provides \$41.9 billion of the \$58.1 billion Proposition 98 funding for fiscal year 2008-09, with the remaining balance funded by local property taxes (including the effect of new legislation requiring redevelopment agencies to transfer certain tax increment revenues to local education agencies). In 2007-08, the State general fund provided \$41.5 billion of the \$56.6 billion Proposition 98 funding. K-12 Proposition 98 per-pupil funding is projected to be \$8,784 in 2008-09, up from \$8,509 in 2007-08.

The cost of living adjustment (“COLA”) for K-12 education and community colleges included in the 2008-09 Budget is 0.68% (a statutory COLA of 5.66% less a deficit factor of 4.98%). No COLA is provided for categorical programs.

Total K-12 education funding from all sources is budgeted to be \$71.9 billion in the fiscal year 2008-09 (approximately \$68 billion of which is from State, federal and local property tax accounted for in the 2008-09 Budget). Total K-12 per pupil funding from all sources is projected to be \$12,152 in fiscal year 2008-09, an increase of \$110 from \$12,042 in fiscal year 2007-08.

The full text of the 2008-09 Budget may be found at the State Department of Finance website, www.dof.ca.gov.

The 2009-10 Proposed Budget and Revised 2008-09 Figures

The information in this section has been compiled from publicly available information through the California Department of Finance. The District, the Corporation and the Underwriter do not assume any responsibility for the accuracy of such information as set forth or incorporated by reference herein, although they believe that the information provided by the above-listed sources is reliable.

Overview. On February 20 2009, the Governor proposed the 2009-10 Budget Act (the “2009-10 Proposed Budget”). [to come]

The full text of the 2009-10 Proposed Budget may be found at the State Department of Finance website, www.dof.ca.gov.

Future Budgets

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools as budgeted. Continued State budget shortfalls in future fiscal years could have an adverse financial impact on the District.

For more information on the State Budget, please refer to the California Department of Finance's website at www.dof.ca.gov and/or to the Legislative Analyst's Office's website at www.lao.ca.gov. Neither the District nor the Underwriter assumes any responsibility for the accuracy of any information presented on the aforementioned websites.

CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES & EXPENDITURES

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 one percent 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 one-percent 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. 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 restored value of the damaged property. The California courts have upheld the constitutionality of this procedure. 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.

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 XIII C 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 XIII C

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 XIII C 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 which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the duty of the District and the County and Solano County with respect to such taxes. Legislation adopted in 1997 provides that Article XIII C 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 XIII D deals with assessments and property-related fees and charges. Article XIII D explicitly provides that nothing in Article XIII C or XIII D 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 imposed by the District are restricted as to use and are neither pledged nor available to pay the Bonds.

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 XIII B 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 XIII B of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIII B, 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 XIII B 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.

Future Initiatives. Articles XIII A, XIII B, XIII C, and XIII D, and 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.

LEGAL MATTERS

No Litigation

No litigation is pending with service of process having been accomplished, or to the best knowledge of the District, threatened concerning the validity of the Notes, and a certificate of the District to that effect will be furnished to the initial purchaser or purchasers at the time of the original delivery of the Notes. The District is not aware of any litigation pending or threatened questioning the political existence, contesting its ability to receive or accrue for the General Fund taxes, income, revenues, cash receipts and other moneys, or contesting its ability to issue and retire the Notes.

Legal Opinion

Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Sacramento, California, Bond Counsel, will render its opinion with respect to the validity and enforceability of the Resolution and as to the validity of the Notes. Copies of such approving opinion will be available at the time of delivery of the Notes, and a copy of the legal opinion will be printed on the Notes. The form of the legal opinion proposed to be delivered by Bond Counsel is included as "APPENDIX C" to this Official Statement.

Tax Matters

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Bond Counsel, based on an analysis of existing statutes, regulations, rulings and court decisions, and in reliance on certain certificates, opinions, and other things, interest on the Notes is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. A copy of the proposed form of the opinion of Bond Counsel is set forth in "APPENDIX C" attached hereto.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The District has covenanted to comply with certain restrictions designed to assure that interest on the Notes will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Notes being included in federal gross income, possibly from the date of issuance of the Notes. The opinion of Bond Counsel assumes 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) after the date of issuance of the Notes may affect the tax status of interest on the Notes.

Bond Counsel is also of the opinion that interest on the Notes is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations, nor is such interest taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Although Bond Counsel expects to render an opinion that interest on the Notes is excludable from federal gross income, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a Beneficial Owner's federal tax liability. The nature and extent of these other tax consequences will depend 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 other federal or State tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Notes to be subject, directly or indirectly, to federal or State income taxation, or otherwise prevent Beneficial Owners of the Notes from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Notes should consult their own tax advisers regarding any pending or proposed federal or State tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the Notes for audit examination, or the course or result of any IRS examination of the Notes, or obligations that present similar tax issues, will not affect the market price or liquidity of the Notes.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as "APPENDIX C".

Standard & Poor's (A Division of the McGraw-Hill Companies, Inc.) has assigned the Notes the rating affixed to and made a part of the cover page hereof. The District furnished Standard & Poor's certain information and materials concerning the Notes and the District. Generally, Standard & Poor's bases its rating on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that either such rating will continue for any given period of time or that it may not be suspended, lowered or withdrawn entirely by Standard & Poor's if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse material effect on the secondary market price of the Notes. Any explanation of the significance of the rating may be obtained only from Standard & Poor's, Public Finance Department, 55 Water Street, 38th Floor, New York, New York 10041, telephone (212) 438-2400.

FINANCIAL ADVISOR

Government Financial Strategies inc., has been employed by the District to perform financial advisory services in relation to the sale and delivery of the Notes. Government Financial Strategies inc., in its capacity as financial advisor, has read and participated in drafting certain portions of this Official Statement. Government Financial Strategies inc. has not, however, independently verified nor confirmed all of the information contained within this Official Statement. Government Financial Strategies inc. will not participate in the underwriting of the Notes. All fees charged by Government Financial Strategies inc. are based on an hourly fee arrangement. Fees charged by Government Financial Strategies inc. are not contingent upon the sale of the Notes.

INDEPENDENT AUDITORS

The basic financial statements of the District as of June 30, 2008, and for the fiscal year then ending, have been audited by Perry-Smith LLP, Sacramento, California. The financial statements of the District as of and for the fiscal year ending June 30, 2008, are set forth in "APPENDIX A" attached hereto. The auditor has not performed any subsequent events review or other procedures relative to the audited financial statements since the date of its letter. Complete copies of all past and current financial statements may be obtained from the District. See "DISTRICT FINANCIAL INFORMATION" herein.

UNDERWRITING AND INITIAL OFFERING PRICE

The Notes were sold to _____ (the "Underwriter"), pursuant to a note purchase agreement by and among the District, the County, and the Underwriter, for an amount equal to the principal amount of the Notes, plus an original issue premium of \$_____, less an underwriter's discount of \$_____, for a total purchase price of \$_____, at a True Interest Cost (TIC) to the District of _____%.

The Underwriter has certified to the District and to Bond Counsel the initial price at which the Notes have been reoffered to the general public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers). The reoffering price or corresponding yield to maturity is as set forth on the cover page hereof. The initial offering price stated on the cover page to this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing Notes into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the owners of the Notes to give notice of the occurrence of certain enumerated events, if material. See “APPENDIX B—FORM OF CONTINUING DISCLOSURE CERTIFICATE” herein. Notices of material events will be filed by the District with each Nationally Recognized Municipal Securities Information Repository or the Municipal Securities Rulemaking Board, and with the State Information Depository, if any. This covenant of the District has been made to assist the Underwriter of the Notes in complying with S.E.C. Rule 15c2-12(b)(5). The District has never failed to comply in all material respects with regard to said Rule to provide annual reports or notices of material events.

ADDITIONAL INFORMATION

Additional information concerning the District, the Notes or any other matters concerning the sale and delivery of the Notes may be obtained from the District by contacting the District at the address and telephone number set forth on page “iii” of this Official Statement, or by contacting the District’s financial advisor, Government Financial Strategies inc., 1228 N Street, Suite Thirteen, Sacramento, California 95814-5609, telephone (916) 444-5100, facsimile telephone (916) 444-5109.

All of the preceding summaries of the Resolution, other applicable legislation, agreements and other documents are made subject to the provisions of such documents respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to documents on file with the District for further information in connection with the District and the Notes. Further, this Official Statement does not constitute a contract with the purchasers of either Note, and any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by the District has been duly authorized by its governing Board, and this Official Statement may be signed in counterparts.

DAVIS JOINT UNIFIED SCHOOL DISTRICT

By: _____
Dr. James Q. Hammond
Superintendent

APPENDIX A

BASIC FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR ENDING JUNE 30, 2008

[TO COME]

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

[TO COME]

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

[TO COME]

APPENDIX D

COUNTY OF YOLO: INVESTMENT POLICY 2009

[TO COME]

1228 N Street, Suite 13
Sacramento, CA 95814
(916) 444-5100

