NEW ISSUE – FULL BOOK-ENTRY

INSURED RATINGS: Moody's: "Aa3"; Standard & Poor's: "AAA"
UNDERLYING RATINGS: Improvement District No. 3: Moody's: "A3"; Standard & Poor's: "A"
Improvement District No. 4: Moody's: "A2"; Standard & Poor's: "A+"
(See "RATINGS" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds designated as Build America Bonds is exempt from State of California personal income tax. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds not designated as Build America Bonds (the "Federal Tax-Exempt Bonds") is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Federal Tax-Exempt Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

$19,135,225.55
FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
(Sacramento County, California)

$10,550,225.55	$8,585,000.00
Election of 2007 General Obligation Bonds, Series B	Election of 2007 General Obligation Bonds, Series B-1
(Tax-Exempt)	(Build America Bonds – Federally Taxable)

$25,003,625.65
FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 4
(Sacramento County, California)

$2,628,625.65	$22,375,000.00
Election of 2006 General Obligation Bonds, Series B	Election of 2006 General Obligation Bonds, Series B-1
(Tax-Exempt)	(Build America Bonds – Federally Taxable)

Dated: Date of Delivery **Due: October 1 as on the inside cover pages**

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making an informed investment decision.

The Folsom Cordova Unified School District School Facilities Improvement District No. 3, Election of 2007 General Obligation Bonds, Series B (Tax-Exempt) (the "Improvement District No. 3 Series B Bonds") and the Folsom Cordova Unified School District School Facilities Improvement District No. 3, Election of 2007 General Obligation Bonds, Series B-1 (Federally Taxable – Build America Bonds) (the "Improvement District No. 3 Series B-1 Bonds, and, together with the Improvement District No. 3 Series B Bonds, the "Improvement District No. 3 Bonds") are being issued by the County of Sacramento (the "County") on behalf of the Folsom Cordova Unified School District (the "School District"). The Improvement District No. 3 Bonds were authorized at a special election of the registered voters of Folsom Cordova Unified School District School Facilities Improvement District No. 3 ("Improvement District No. 3") held on March 27, 2007, at which two-thirds or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $750,000,000 principal amount of general obligation bonds of Improvement District No. 3 to renovate classrooms and school buildings, acquire land, construct new school facilities and install technology, and for other projects as approved by the voters, for schools in Improvement District No. 3.

The Folsom Cordova Unified School District School Facilities Improvement District No. 4, Election of 2006 General Obligation Bonds, Series B (Tax-Exempt) (the "Improvement District No. 4 Series B Bonds") and the Folsom Cordova Unified School District School Facilities Improvement District No. 4, Election of 2006 General Obligation Bonds, Series B-1 (Federally Taxable – Build America Bonds) (the "Improvement District No. 4 Series B-1 Bonds, and, together with the Improvement District No. 4 Series B Bonds, the "Improvement District No. 4 Bonds") are being issued by the County on behalf of the School District. The Improvement District No. 4 Bonds were authorized at an election of the registered voters of Folsom Cordova Unified School District School Facilities Improvement District No. 4 ("Improvement District No. 4") held on November 7, 2006, at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $125,000,000 principal amount of general obligation bonds of Improvement District No. 4 to renovate classrooms and school buildings, acquire land, construct new school facilities and install technology, and for other projects as approved by the voters, for schools in Improvement District No. 4. The Improvement District No. 3 Bonds and the Improvement District No. 4 Bonds are collectively referred to herein as the "Bonds."

The Improvement District No. 3 Bonds represent an obligation of Improvement District No. 3 payable solely from *ad valorem* property taxes levied and collected by the County. The Improvement District No. 4 Bonds represent an obligation of Improvement District No. 4 payable solely from *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes for the payment of principal of and interest on the Improvement District No. 3 Bonds and the Improvement District No. 4 Bonds upon all property subject to taxation by the Improvement District No. 3 and Improvement District No. 4, respectively, without limitation of rate or amount (except as to certain personal property which is taxable at limited rates).

The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds. Interest on the Current Interest Bonds accrues from the date of delivery, and is payable semiannually by check or draft mailed on April 1 and October 1 of each year, commencing April 1, 2010. The Capital Appreciation Bonds are dated the date of delivery of the Bonds and accrete interest from such date, compounded semiannually on April 1 and October 1 of each year, commencing April 1, 2010. The Bonds are issuable as fully registered Bonds in denominations of $5,000 principal amount or Maturity Value, as applicable, or any integral multiple thereof. Payments of principal and Accreted Value of and interest on the Bonds will be paid by the Director of Finance of Sacramento County, as Bond Registrar, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

The Improvement District No. 3 Series B-1 Bonds and the Improvement District No. 4 Series B-1 Bonds are collectively referred to herein as the "Series B-1 Bonds." The Series B-1 Bonds are designated "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the School District expects to receive a cash subsidy payment from the United States Department of the Treasury equal to 35% of the interest payable on the Series B-1 Bonds on or about each interest payment date thereof. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the Recovery Act. The School District is obligated to deposit any cash subsidy payments it receives into the respective debt service funds for the Series B-1 Bonds.

The scheduled payment of principal and Maturity Value of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY CORP. (See "THE BONDS – Bond Insurance.")

ASSURED GUARANTY®

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

Maturity Schedules
(see inside cover pages)

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain legal matters are being passed upon for the School District by Kingsley Bogard Thompson LLP, Folsom, California, District Counsel, and for the County of Sacramento by its County Counsel. The Bonds, in book-entry form, will be available for delivery through the facilities of the Depository Trust Company in New York, New York on or about December 3, 2009.

STONE & YOUNGBERG

The date of this Official Statement is November 13, 2009.

MATURITY SCHEDULES FOR IMPROVEMENT DISTRICT NO. 3 BONDS

$10,550,225.55
FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
(Sacramento County, California)
Election of 2007 General Obligation Bonds, Series B
(Tax-Exempt)

Base CUSIP[(1)]: 34440K

$1,110,000.00 Current Interest Serial Bonds

Maturity October 1	Principal Amount	Interest Rate	Yield	CUSIP[(1)]
2010	$480,000.00	2.000%	0.850%	BB7
2011	225,000.00	2.000	1.400	BC5
2012	405,000.00	2.000	1.800	BD3

$9,440,225.55 Capital Appreciation Serial Bonds

Maturity October 1	Original Principal Amount	Accretion Rate	Yield to Maturity	Final Accreted Value	CUSIP[(1)]
2014	$16,875.20	3.550%	3.550%	$20,000.00	BK7
2016	37,195.50	4.380	4.380	50,000.00	BL5
2018	122,861.60	5.000	5.000	190,000.00	BN1
2019	130,939.60	5.350	5.350	220,000.00	BP6
2020	313,942.40	5.750	5.750	580,000.00	BQ4
2025	939,097.80	6.450	6.450	2,565,000.00	BS0
2026	1,027,592.50	6.520	6.520	3,025,000.00	BT8
2027	960,048.50	6.590	6.590	3,050,000.00	BU5
2028	997,599.75	6.660	6.660	3,425,000.00	BV3
2029	915,110.00	6.730	6.730	3,400,000.00	BW1
2030	926,475.55	6.820	6.820	3,745,000.00	BX9
2031	872,063.50	6.920	6.920	3,850,000.00	BY7
2032	911,542.95	6.980	6.980	4,365,000.00	BZ4
2033	998,349.40	8.330	7.030	6,980,000.00	CA8
2034	270,531.30	12.000	7.070	4,885,000.00	CB6

$8,585,000.00
FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
(Sacramento County, California)
Election of 2007 General Obligation Bonds, Series B-1
(Build America Bonds – Federally Taxable)

Base CUSIP[(1)]: 34440K

$8,585,000.00 Current Interest Serial Bonds

Maturity October 1	Principal Amount	Interest Rate	Yield	CUSIP[(1)]
2021	$745,000.00	6.238%	6.338%	BE1
2022	1,265,000.00	6.388	6.488	BF8
2023	1,560,000.00	6.538	6.638	BG6
2024	2,170,000.00	6.638	6.738	BH4
2034	2,845,000.00	7.488	7.588	BJ0

MATURITY SCHEDULES FOR IMPROVEMENT DISTRICT NO. 4 BONDS

$2,628,625.65
FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 4
(Sacramento County, California)
Election of 2006 General Obligation Bonds, Series B
(Tax-Exempt)

Base CUSIP[(1)]: 34440T

$2,115,000.00 Current Interest Serial Bonds

Maturity October 1	Principal Amount	Interest Rate	Yield	CUSIP[(1)]
2010	$1,070,000.00	2.000%	0.700%	BB8
2011	140,000.00	2.000	1.200	BC6
2012	110,000.00	2.000	1.600	BD4
2013	100,000.00	3.000	2.000	BE2
2014	110,000.00	3.000	2.500	BF9
2015	125,000.00	3.000	2.780	BG7
2016	140,000.00	3.000	3.100	BH5
2017	155,000.00	4.000	3.350	BJ1
2018	165,000.00	4.000	3.550	BK8

$513,625.65 Capital Appreciation Serial Bonds

Maturity October 1	Original Principal Amount	Accretion Rate	Yield to Maturity	Maturity Value	CUSIP[(1)]
2033	$21,020.55	10.000%	6.930%	$215,000.00	BV4
2034	492,605.10	12.000	7.000	8,895,000.00	BU6

$22,375,000.00
FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 4
(Sacramento County, California)
Election of 2006 General Obligation Bonds, Series B-1
(Build America Bonds – Federally Taxable)

Base CUSIP[(1)]: 34440T

$2,710,000.00 Current Interest Serial Bonds

Maturity October 1	Principal Amount	Interest Rate	Yield	CUSIP[(1)]
2019	$210,000.00	5.738%	5.738%	BL6
2020	295,000.00	5.938	5.938	BM4
2021	390,000.00	6.138	6.138	BN2
2022	490,000.00	6.288	6.288	BP7
2023	605,000.00	6.438	6.438	BQ5
2024	720,000.00	6.538	6.538	BR3

$5,900,000.00 7.388% Current Interest Term Bonds due October 1, 2029 – Yield 7.388%; CUSIP[(1)]: BS1
$13,765,000.00 7.513% Current Interest Term Bonds due October 1, 2033 – Yield 7.513%; CUSIP[(1)]: BT9

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COUNTY OF SACRAMENTO, CALIFORNIA

BOARD OF SUPERVISORS

Susan Peters, *Chair, District 3*
Roger Dickinson, *Vice Chair, District 1*
Roberta MacGlashgan, *Supervisor, District 4*
Don Nottoli, *Supervisor, District 5*
Jimmie Yee, *Supervisor, District 2*

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Ed Short, *President*
Teresa Stanley, *Vice President*
JoAnne Reinking, *Clerk*
Roger Benton, *Member*
Richard Shaw, *Member*

DISTRICT ADMINISTRATION

Patrick Godwin, *Superintendent*
Deborah Bettencourt, *Deputy Superintendent/Chief Financial Officer*
Matt Washburn, *Director of Facilities Development*

PROFESSIONAL SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation
San Francisco, California

UNDERWRITER

Stone & Youngberg LLC
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT, AND PAYING AGENT

Sacramento County Director of Finance
Sacramento, California

DISTRICT COUNSEL

Kingsley Bogard Thompson LLP
Folsom, California

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

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the Improvement Districts and the School District herein.

Certain information set forth herein, other than that provided by the Improvement Districts and the School District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by either Improvement District or the School District. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of either Improvement District or the School District since the date hereof.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower 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.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "THE BONDS – Bond Insurance" and "APPENDIX K – Specimen Financial Guaranty Insurance Policy."

$19,135,225.55
FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
(Sacramento County, California)

$10,550,225.55	**$8,585,000.00**
Election of 2007 General Obligation Bonds, Series B	**Election of 2007 General Obligation Bonds, Series B-1**
(Tax-Exempt)	**(Build America Bonds – Federally Taxable)**

$25,003,625.65
FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 4
(Sacramento County, California)

$2,628,625.65	**$22,375,000.00**
Election of 2006 General Obligation Bonds, Series B	**Election of 2006 General Obligation Bonds, Series B-1**
(Tax-Exempt)	**(Build America Bonds – Federally Taxable)**

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of (i) Folsom Cordova Unified School District, School Facilities Improvement District No. 3 (Sacramento County, California) Election of 2007 General Obligation Bonds, Series B (Tax-Exempt) (the "Improvement District No. 3 Series B Bonds"), (ii) Folsom Cordova Unified School District, School Facilities Improvement District No. 3 (Sacramento County, California) Election of 2007 General Obligation Bonds, Series B-1 (Federally Taxable – Build America Bonds) (the "Improvement District No. 3 Series B-1 Bonds"), (iii) Folsom Cordova Unified School District, School Facilities Improvement District No. 4 (Sacramento County, California) Election of 2006 General Obligation Bonds, Series B (Tax-Exempt) (the "Improvement District No. 4 Series B Bonds"), and (iv) Folsom Cordova Unified School District, School Facilities Improvement No 4 (Sacramento County, California) Election of 2006 General Obligation Bonds, Series B-1 (Federally Taxable – Build America Bonds) (the "Improvement District No. 4 Series B-1 Bonds").

The Improvement District No. 3 Series B Bonds and the Improvement District No. 4 Series B Bonds are collectively referred to herein as the "Series B Bonds." The Improvement District No. 3 Series B-1 Bonds and the Improvement District No. 4 Series B-1 Bonds are collectively referred to herein as the "Series B-1 Bonds." The Improvement District No. 3 Series B Bonds and the Improvement District No. 3 Series B-1 Bonds are collectively referred to herein as the "Improvement District No. 3 Bonds." The Improvement District No. 4 Series B Bonds and the Improvement District No. 4 Series B-1 Bonds are collectively referred to herein as the "Improvement District No. 4 Bonds." The Improvement District No. 3 Bonds and Improvement District No. 4 Bonds are collectively referred to herein as the "Bonds."

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

The School District

The Folsom Cordova Unified School District (the "School District") is located in the greater Sacramento metropolitan region, about 20 miles northeast of the City of Sacramento. The School District includes nearly all of the City of Folsom, a large portion of the City of Rancho Cordova, and adjacent unincorporated areas of Sacramento County, encompassing a territory of about 96 square miles. The School District is a unified school district serving students in grades K-12. The School District operates 33 schools, including 21 elementary schools, four middle schools, three comprehensive high schools, four alternative high schools and one dependent charter elementary school. The District also operates 13 preschool programs at seven sites, 16 child care centers and an adult education program. See "THE SCHOOL DISTRICT" herein.

The Improvement Districts

Folsom Cordova Unified School District School Facilities Improvement District No. 3 ("Improvement District No. 3") is located in the southeastern portion of the School District, and includes portions of the City of Rancho Cordova, an unincorporated sphere of influence for the City of Folsom, and other adjacent unincorporated territory of the County. Improvement District No. 3 encompasses approximately 52.6 square miles, representing approximately 54.8% of the territory of the School District. See "IMPROVEMENT DISTRICT NO. 3" herein.

Folsom Cordova Unified School District School Facilities Improvement District No. 4 ("Improvement District No. 4") is located in the southwestern portion of the School District, and includes a portion of the City of Rancho Cordova and adjacent unincorporated territory of the School District. Improvement District No. 4 encompasses approximately 18.3 square miles, representing approximately 19.1% of the territory of the School District. See "IMPROVEMENT DISTRICT NO. 4" herein.

Improvement District No. 3 and Improvement District No. 4 are together referred to herein as the "Improvement Districts."

Sources of Payment for the Bonds

Improvement District No. 3 Bonds. The Improvement District No. 3 Bonds represent an obligation of Improvement District No. 3 payable solely from *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County (the "County Board") is empowered and obligated to annually levy *ad valorem* taxes for the payment of the Improvement District No. 3 Bonds and the interest thereon upon all property within Improvement District No. 3 subject to taxation by Improvement District No. 3 without limitation of rate or amount (except as to certain personal property which is taxable at limited rates). See "THE BONDS – Security and Sources of Payment" herein.

Improvement District No. 4 Bonds. The Improvement District No. 4 Bonds represent an obligation of Improvement District No. 4 payable solely from *ad valorem* property taxes levied and collected by the County. The County Board is empowered and obligated to annually levy *ad valorem* taxes for the payment of the Improvement District No. 4 Bonds and the interest thereon upon all property within Improvement District No. 4 subject to taxation by Improvement District No. 4 without limitation of rate or amount (except as to certain personal property which is taxable at limited rates). See "THE BONDS – Security and Sources of Payment" herein.

Purpose of Issue

The Bonds are being issued to finance the renovation of classrooms and school buildings, acquisition of land, construction of new school facilities and installation of technology, and for other projects as approved by the voters, for schools within the respective Improvement Districts.

Description of the Bonds

Current Interest and Capital Appreciation Bonds. The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Current Interest Bonds mature on October 1 in the years indicated on the inside cover page hereof. The Capital Appreciation Bonds are payable only at maturity and will not pay interest on a current basis. The maturity value of a Capital Appreciation Bond is equal to its Accreted Value (defined herein) upon the maturity thereof (the "Maturity Value"), being composed of its initial principal amount (the "Denominational Amount") and the interest accreting thereon between the delivery date thereof and its respective maturity date.

Build America Bonds. The Series B-1 Bonds are designated as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the School District expects to receive a cash subsidy payment from the United States Department of the Treasury equal to 35% of the interest payable on the Series B-1 Bonds on or about each Bond Payment Date (defined herein). See "THE BONDS – Designation of Certain Bonds as Build America Bonds" herein.

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

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or $5,000 Maturity Value, as applicable, or any integral multiple thereof. One Capital Appreciation Bond of each Improvement District may have an odd Maturity Value.

Redemption. The Current Interest Bonds maturing on or after October 1, 2020, may be redeemed prior to maturity, at the option of the School District, in whole or in part on any date beginning on October 1, 2019. The Current Interest Bonds are subject to mandatory sinking fund redemption as further described herein. The Series B-1 Bonds are subject to extraordinary optional redemption as further described herein. The Capital Appreciation Bonds are not subject to optional redemption prior to their fixed maturity dates. See "THE BONDS –Redemption" herein.

Payments. Interest on the Current Interest Bonds accrues from their date of delivery (the "Date of Delivery"), and is payable semiannually on each April 1 and October 1, commencing April 1, 2010. Each Capital Appreciation Bond accretes in value from its Denominational Amount to its Maturity Value on the maturity thereof at the Accretion Rate (defined herein) per annum set forth on the inside cover page hereof, compounded semiannually on April 1 and October 1 of each year commencing April 1, 2010, and is payable only at maturity according to the amounts set forth on the inside cover page hereof. Payments of the principal and Maturity Value of and interest on the Bonds will be made by the Director of Finance of the County (the "Director of Finance"), as the designated paying agent, bond registrar and transfer agent (in such capacity, the "Bond Registrar"), to DTC for subsequent disbursement through DTC Participants to the Beneficial Owners of the Bonds.

Bond Insurance. The scheduled payment of principal and Maturity Value of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer"). See "THE BONDS – Bonds Insurance" herein.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy and truthfulness of certain representations and compliance with certain covenants and requirements described herein, interest on the Series B Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. In addition, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount. See "TAX MATTERS" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Education Code and other applicable law, and pursuant to resolutions adopted by the Board of Education of the School District acting as the governing board of each Improvement District, and the County Board. See "THE BONDS – Authority for Issuance" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery in New York, New York on or about December 3, 2009.

Continuing Disclosure

The School District will covenant for the benefit of bondholders to make available certain financial information and operating data relating to the School District and to provide notices of the occurrence of certain enumerated events, if material, in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of material events is summarized in "APPENDIX F – Form of Continuing Disclosure Certificate for Improvement District No. 3 Bonds" and "APPENDIX G – Form of Continuing Disclosure Certificate for Improvement District No. 4 Bonds" attached hereto.

Forward Looking Statements

When used in this Official Statement and in any continuing disclosure by the School District, in any press release and in any oral statement made with the approval of an authorized officer of either

Improvement District or the School District, or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Deputy Superintendent/Chief Financial Officer, Folsom Cordova Unified School District, 125 East Bidwell Street, Folsom, California, 95630, (916) 355-1114. The School District may impose a charge for copying, mailing and handling.

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

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

Capitalized terms used but not otherwise defined herein will have the meaning assigned to such terms by the Bond Resolution (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Chapters 1, 1.5 and 2 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California and other applicable law (the "Act") and pursuant to resolutions adopted by the Board of Education of the School District, acting as the governing board of each Improvement District on September 17, 2009, and by the County Board on September 22, 2009, (collectively, the "Bond Resolution"). In accordance with the Act, the Bonds are being issued by the County Board on behalf of the School District.

Improvement District No. 3 Bond Authorization. The Improvement District No. 3 Bonds received authorization at a special election held on March 27, 2007, by an affirmative vote of two-thirds or more of the votes cast by eligible voters within Improvement District No. 3 to issue $750,000,000 of general obligation bonds (the "Improvement District No. 3 Bond Authorization"). On November 8, 2007, the County issued on behalf of Improvement District No. 3 the first series of bonds under the Improvement District No. 3 Authorization in the aggregate principal amount of $24,998,630.35. The Improvement District No. 3 Bonds represent the second issuance of bonds within the Improvement District No. 3 Authorization, and following the issuance thereof, $705,866,144.10 of the Improvement District No. 3 Authorization will remain.

Improvement District No. 4 Bond Authorization. The Improvement District No. 4 Bonds received authorization at an election held on November 7, 2006, by an affirmative vote of 55% or more of the votes cast by eligible voters within Improvement District No. 4 to issue $125,000,000 of general obligation bonds (the "Improvement District No. 4 Authorization"). On November 8, 2007, the County issued on behalf of Improvement District No. 4 the first series of bonds under the Improvement District No. 4 Authorization in the aggregate principal amount of $39,995,205.05. The Improvement District No. 4 Bonds represent the second issuance of bonds within the Improvement District No. 4 Authorization, and following the issuance thereof, $60,001,169.30 of the Improvement District No. 4 Authorization will remain.

Designation of Certain Bonds as Build America Bonds

The Series B-1 Bonds are designated as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009, which act was signed into law on February 17, 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the School District expects to receive a cash subsidy payment (the "Subsidy") from the United States Department of the Treasury (the "Treasury") equal to 35% of the interest payable on the Series B-1 Bonds on or about each Bond Payment Date. The Subsidy does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the Recovery Act. The School District is obligated to deposit any cash subsidy payments it receives into the respective Debt Service Funds (defined below).

Security and Sources of Payment

The Bonds represent general obligations of the applicable Improvement Districts, payable solely from *ad valorem* taxes levied by the County. The County Board is empowered and obligated to annually levy *ad valorem* taxes for the payment of principal and Maturity Value of and interest on the Bonds upon all property within the respective Improvement Districts subject to taxation by such Improvement Districts without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal and Maturity Value of and interest on the Bonds when due. Such taxes, when collected, will be deposited into (i) with respect to the Improvement District No. 3 Bonds, the fund designated as "Folsom Cordova Unified School District School Facilities Improvement District No. 3 General Obligation Bonds, Series B and Series B-1 Debt Service Fund" (the "Improvement District No. 3 Debt Service Fund"), and (ii) with respect to the Improvement District No. 4 Bonds, the fund designated as "Folsom Cordova Unified School District School Facilities Improvement District No. 4 General Obligation Bonds, Series B and Series B-1 Debt Service Fund" (the "Improvement District No. 4 Debt Service Fund" and, collectively with the Improvement District No. 3 Debt Service Fund, the "Debt Service Funds"). The Debt Service Funds are maintained by the County and are required by the Act to be applied for the payment of principal and Maturity Value of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and will maintain the Debt Service Funds, the Bonds are not a debt of the County.

The moneys in the respective Debt Service Funds, to the extent necessary to pay the principal and Maturity Value of and interest on the Bonds as the same becomes due and payable, shall be transferred by the Bond Registrar to DTC for remittance of such principal, Maturity Value, and interest to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

The amounts of the annual *ad valorem* taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the respective Improvement Districts and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in each Improvement District may cause the annual tax rate to fluctuate. Economic and other factors beyond the School District's control, such as economic recession, deflation of land values, a relocation out of either Improvement District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood or other natural disaster, could cause a reduction in the assessed value within either Improvement District and necessitate a corresponding increase in the annual tax rate in such Improvement District. For further information regarding the Improvement Districts' assessed valuations, tax rates, overlapping debt, and other matters concerning taxation, see "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

Bond Insurance

The following information has been provided by Assured Guaranty for use in this Official Statement, and neither the District nor the Underwriter takes any responsibility for the accuracy or completeness thereof. Reference is made to APPENDIX K for a specimen of the Policy of Assured Guaranty.

The Insurance Policy. Concurrently with the issuance of the Bonds, Assured Guaranty will issue its Policy for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Exhibit K to this Official Statement.

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

The Insurer. Assured Guaranty is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty's financial strength is rated "AAA" (negative outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "Aa3" (under review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's") and "AA-" (negative outlook) by Fitch, Inc. ("Fitch"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured

Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments. In a press release dated November 12, 2009, Moody's announced that it had downgraded the insurance financial strength rating of Assured Guaranty to "Aa3" from "Aa2" and that the status of Assured Guaranty's insurance financial strength rating would remain under review for possible downgrade. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

In a press release dated October 12, 2009, Fitch announced that it had downgraded the insurer financial strength rating of Assured Guaranty to "AA-" (negative outlook) from "AA" (ratings watch negative). Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

On July 1, 2009, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on Assured Guaranty. At the same time, S&P revised its outlook on Assured Guaranty to negative from stable. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

There can be no assurance as to the outcome of Moody's review, or as to any further ratings action that Fitch or S&P may take with respect to Assured Guaranty.

For more information regarding Assured Guaranty's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by AGL with the Securities and Exchange Commission ("SEC") on February 26, 2009, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by AGL with the SEC on May 11, 2009, AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, which was filed by AGL with the SEC on August 10, 2009, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, which was filed by AGL with the SEC on November 16, 2009.

Capitalization of Assured Guaranty. As of September 30, 2009, Assured Guaranty had total admitted assets of $2,096,784,037 (unaudited), total liabilities of $1,917,777,236 (unaudited), total surplus of $179,006,801 (unaudited) and total statutory capital (surplus plus contingency reserves) of $951,037,548 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Incorporation of Certain Documents by Reference. The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- the Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009);

- the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by AGL with the SEC on May 11, 2009);

- the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 (which was filed by AGL with the SEC on August 10, 2009);

- the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (which was filed by AGL with the SEC on November 16, 2009); and

- the Current Reports on Form 8-K filed by AGL with the SEC relating to the periods following the fiscal year ended December 31, 2008.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "THE BONDS - Bond Insurance - *The Insurer*" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 31 West 52nd Street, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at http://www.sec.gov and at AGL's web site at http://www.assuredguaranty.com, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "THE BONDS - Bond Insurance".

Description of the Bonds

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. Purchasers will not receive certificates representing their interests in the Bonds.

Interest with respect to the Current Interest Bonds from the Date of Delivery, and is payable semiannually on April 1 and October 1 of each year (each a "Bond Payment Date"), commencing April 1, 2010. Interest on the Current Interest Bonds shall be computed on the basis of a 360-day year of 12, 30-day months. Each Current Interest Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately next preceding any Bond Payment Date to such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before March 15, 2010, in which event it shall bear interest from its Date of Delivery. The Current Interest Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The

Current Interest Bonds mature on October 1, in the years and amounts set forth on the inside cover page hereof.

The Capital Appreciation Bonds are dated their Date of Delivery. The Capital Appreciation Bonds are issuable in the denomination of $5,000 Maturity Value or any integral multiple thereof, except one Capital Appreciation Bond of each Improvement District may be issued in an odd denomination. No Capital Appreciation Bond shall have principal maturing on more than one date.

The Capital Appreciation Bonds are payable only at maturity, and will not pay interest on a current basis. The Capital Appreciation Bonds accrete in value from their Date of Delivery at the Accretion Rates per annum set forth on the inside cover, compounded semiannually on April 1 and October 1 of each year, commencing April 1, 2010. The Maturity Value of a Capital Appreciation Bond is its Accreted Value at its maturity date. Interest with respect to each Capital Appreciation Bond is represented by the amount each Capital Appreciation Bond accretes in value from its Denominational Amount to the date for which Accreted Value is calculated. The Accreted Value (the "Accreted Value") of a Capital Appreciation Bond is calculated by discounting on a 30-day month, 360-day year basis its Maturity Value on the basis of a constant interest rate (the "Accretion Rate") compounded semiannually on April 1 and October 1, of each year to the date for which an Accreted Value is calculated, and if the date for which Accreted Value is calculated is between April 1 and October 1, by prorating the Accreted Values to the closest prior or subsequent April 1 or October 1.

Bond Registrar

The Director of Finance will act as the Bond Registrar for the Bonds. As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Bond Registrar will send any notice of prepayment or other notices to owners only to DTC.

Neither the School District nor the Underwriter of the Bonds have any responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds. See "APPENDIX J – Book-Entry Only System" herein.

Payment

The principal and the Maturity Value of the Bonds will be payable in lawful money of the United States of America to the registered owner thereof, upon the surrender thereof at the principal office of the Bond Registrar. The interest on the Current Interest Bonds will be payable in lawful money to the person whose name appears on the bond registration books of the Bond Registrar as the registered owner thereof as of the close of business on the 15th day of the month preceding any Bond Payment Date (a "Record Date"), whether or not such day is a business day, such interest to be paid by check or draft mailed on such Bond Payment Date to such registered owner at such registered owner's address as it appears on such registration books or at such address as the registered owner may have filed with the Bond Registrar for that purpose. The interest payments on the Current Interest Bonds will be made in immediately available funds (e.g., by wire transfer) to any registered owner of at least $1,000,000 of outstanding Current Interest Bonds who shall have requested in writing such method of payment of interest on the Current Interest Bonds prior to the close of business on the Record Date immediately preceding any Bond Payment Date.

Redemption

Optional Redemption. The Current Interest Bonds maturing on or before October 1, 2019, are not subject to redemption prior to their respective maturity dates. The Current Interest Bonds maturing on or after October 1, 2020, are subject to redemption prior to their respective stated maturity dates, at the option of the School District, from any source of available funds, as a whole or in part on any date on or after October 1, 2019, at a redemption price equal to the principal amount of the Current Interest Bonds to be redeemed, plus interest thereon to the date fixed redemption, without premium.

The Capital Appreciation Bonds are not subject to optional redemption prior to their fixed maturity dates.

Extraordinary Optional Redemption. The Series B-1 Bonds will be subject to extraordinary redemption prior to their optional redemption dates, at the option of the School District, as a whole or in part, upon the occurrence of an Extraordinary Event (defined herein), at a redemption price equal to the principal amount of the Series B-1 Bonds to be redeemed, plus accrued interest thereon to the date set for redemption, plus the Make-Whole Premium (defined herein), if any.

An “Extraordinary Event” will have occurred if the School District determines that a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Recovery Act and pertaining to Build America Bonds) or there is any guidance published by the Internal Revenue Service (the “IRS”) or the United States Treasury with respect to such Sections or any other determination by the IRS or the United States Treasury, which determination is not the result of any act or omission by the School District to satisfy the requirements to qualify for the Subsidy from the United States Treasury, pursuant to which the School District's Subsidy from the United States Treasury is reduced or eliminated.

The “Make-Whole Premium” with respect to any Series B-1 Bond to be redeemed will be equal to the excess, if any, of the sum of the present values, calculated as of the redemption date, of (i) each Bond Payment Date that, but for such redemption, would have been payable on the Series B-1 Bond or portion thereof being redeemed on each Bond Payment Date occurring after the redemption date (excluding any accrued interest for the period prior to the redemption date), and (ii) the principal amount that, but for such redemption, would have been available at the final maturity of the Series B-1 Bond being redeemed, divided by the amount of the principal amount of the Series B-1 Bond being redeemed.

The present values of interest and principal payments referred to in the definition of the Make-Whole Premium will be determined in accordance with generally accepted principles of financial analysis. These present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption to the redemption date at a discount rate equal to the Comparable Treasury Yield (defined herein), plus 100 basis points. The Make-Whole Premium will be calculated by an independent investment banking institution or independent financial advisor of national standing appointed by the School District and the Make-Whole Premium so calculated will be final and conclusive as to all owners of Series B-1 Bonds.

For purposes of determining the Make-Whole Premium, “Comparable Treasury Yield” means a rate of interest per annum equal to the weekly average yield to maturity of United States Treasury Securities that have a constant maturity that corresponds to the remaining term to maturity of the Series B-1 Bonds, calculated to the nearest 1/12th of a year. The Comparable Treasury Yield will be determined as of the third Business Day immediately preceding the applicable redemption date. For purposes of this paragraph, “Business Day” means any day other than a Saturday, a Sunday, or a day on which banks located in the city where the corporate trust office of the Bond Registrar is located, are required or authorized to remain closed.

The weekly average yields of United States Treasury Securities will be determined by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (collectively, the "H.15 statistical release"). If the H.15 statistical release sets forth a weekly average yield for United States Treasury Securities having a constant maturity that is the same as the remaining term calculated as set forth above, then the comparable Treasury yield will be equal to such weekly average yield. In all other cases, the comparable treasury yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury Securities that have a constant maturity closest to and less than the remaining term (in each case as set forth in the H.15 statistical release or any successor release). Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If weekly average yields for United States Treasury Securities are not available in the H.15 statistical release or otherwise, then the comparable treasury yield will be calculated by interpolation of comparable rates selected by an independent investment banker or independent financial advisor appointed by the School District, in the manner described above.

Mandatory Sinking Fund Redemption. The Improvement District No. 4 Series B-1 Current Interest Term Bonds maturing on October 1, 2029 are subject to redemption prior to maturity from mandatory sinking fund payments on October 1 of each year, on and after October 1, 2025, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

	Redemption Date (October 1)	Principal Amount
	2025	$855,000.00
	2026	1,005,000.00
	2027	1,165,000.00
	2028	1,340,000.00
	2029[1]	1,535,000.00
Total		$5,900,000.00

[1] Maturity.

The Improvement District No. 4 Series B-1 Current Interest Term Bonds maturing on October 1, 2033 are subject to redemption prior to maturity from mandatory sinking fund payments on October 1 of each year, on and after October 1, 2030, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

	Redemption Date (October 1)	Principal Amount
	2030	$1,750,000.00
	2031	1,980,000.00
	2032	2,235,000.00
	2033[(1)]	7,800,000.00
Total		$13,765,000.00

(1) Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, in integral multiples of $5,000, by any portion of the Term Current Interest Bond optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Bond Registrar, upon written instruction from the School District, shall select Bonds for redemption as so directed by the School District and if not directed, in inverse order of maturity. Within a maturity, the Bond Registrar, in a manner determined by the School District, shall select Bonds for redemption by lot. The portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption. Notice of any redemption of Bonds will be mailed, postage-prepaid, not less than 30 nor more than 45 days prior to the redemption date (i) by registered or certified mail to the respective registered owners thereof at the addresses appearing on the bond registration books, (ii) by registered or certified mail or overnight delivery service to the Securities Depositories described below, and (iii) by registered or certified mail, telephonically confirmed transmission or overnight delivery service to one or more of the Information Services described below. Each notice of redemption will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Bond Registrar, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate or Accretion Rate, as applicable, and stated maturity date of each Bond to be redeemed in whole or in part. Such notice will further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued or accreted to the redemption date, and that from and after such date, interest with respect thereto will cease to accrue or accrete.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent, Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and

Standard and Poor's J.J. Kenny Information Services' "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041.

"Securities Depositories" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Fax (212) 855-1000 or (212) 855-7320.

The actual receipt by the owner of any Bond or of any Securities Depository or Information Service of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice mailed, will not affect the validity of the proceedings for the redemption of such Bond or the cessation of interest on the date fixed for redemption. A certificate of the Bond Registrar or the School District that notice of call and redemption has been given to owners and the appropriate Securities Depositories or Information Services will be conclusive as against all parties.

Payment of Redeemed Bonds. When notice of redemption has been given, substantially as described above, and when the amount necessary for the payment of principal of and premium, if any, is set aside for the purpose in the Debt Service Funds, the Bonds designated for redemption will become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at said redemption price out of the respective Debt Service Funds, and no interest will accrue on such Bonds called for redemption after the redemption date specified in such notice, and the owners of said Bonds so called for redemption after such redemption date will look for the payment of such Bonds and the premium thereon only to such respective Debt Service Funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Bond Registrar will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount or Maturity Value to the unredeemed portion of the Bond surrendered (the "Transfer Amount"). Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the County, the School District and the Improvement Districts will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest to such redemption date, is held by the Bond Registrar so as to be available therefor on such redemption date, and if notice of redemption thereof will have been given substantially as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Bond Registrar, in form satisfactory to it, and sufficient moneys shall be held by the Bond Registrar irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest with respect thereto to the date fixed for redemption, then such Bonds will no longer be deemed Outstanding and shall be surrendered to the Bond Registrar for cancellation.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased at any time prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with the Bond Registrar or with an independent escrow agent selected by the School District an amount of cash which together with amounts then on deposit in the Debt Service Funds is sufficient to pay all Bonds outstanding and designated for defeasance, including all principal, interest and premium, if any; or

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the School District noncallable Government Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Funds together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal and interest represented thereby and prepayment premiums, if any) at or before their maturity date;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the School District, Improvement Districts and the Bond Registrar with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the Bond Registrar to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the Bonds not so surrendered and paid all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, or "prerefunded" municipal obligations rated in the highest rating category by Moody's Investors Service or Standard & Poor's. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed "AAA" by Standard & Poor's or "Aaa" by Moody's Investors Service.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the School District will cause the Bond Registrar to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Bond Resolution (the "Bond Register"). Subject to the provisions of the Bond Resolution, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond for all purposes of the Bond Resolution. Payment of or on account of the principal or Accreted Value of and premium, if any, and interest on any Bond will be made only to or upon the order of that person; neither the School District, the County, nor the Bond Registrar will be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution. All such payments will be valid and effectual to satisfy and discharge the School District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount upon presentation and surrender at the principal office of the Bond Registrar, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Bond Registrar. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Bond Registrar together with an assignment executed by the owner or by a person legally empowered to do so in a form satisfactory to the Bond Registrar. Upon exchange or transfer, the Bond Registrar will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date. Capital Appreciation Bonds and Current Interest Bonds may not be exchanged for one another.

In all cases of exchanged or transferred Bonds, the County shall sign and the Bond Registrar will authenticate and deliver Bonds in accordance with the provisions of the Bond Resolution. All fees and costs of transfer will be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer will be valid obligations of the Improvement Districts, evidencing the same debt, and entitled to the same security and benefit under the Bond Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Bond Registrar for payment, retirement, exchange, replacement or transfer shall be canceled by the Bond Registrar. The School District and the County may at any time deliver to the Bond Registrar for cancellation any previously authenticated and delivered Bonds that the School District and the County may have acquired in any manner whatsoever, and those Bonds shall be promptly canceled by the Bond Registrar. As requested, written reports of the surrender and cancellation of Bonds shall be made to the School District and the County by the Bond Registrar. The canceled Bonds shall be retained for six years, then returned to the School District or destroyed by the Bond Registrar as directed by the School District.

Neither the School District, the County, nor the Bond Registrar will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

ESTIMATED SOURCES AND USES OF FUNDS

Improvement District No. 3 Bonds

The estimated sources and uses of funds with respect to the Improvement District No. 3 Bonds will be applied as follows:

Sources of Funds	Improvement District No. 3 Series B Bonds	Improvement District No. 3 Series B-1 Bonds	Total
Principal Amount of Bonds	$10,550,225.55	$8,585,000.00	$19,135,225.55
Net Original Issue Premium/Discount	956,056.40	(83,924.50)	872,131.90
Total Sources	$11,506,281.95	$8,501,075.50	$20,007,357.45
Uses of Funds			
Deposit to Improvement District No. 3 Series B Building Fund	$10,550,225.55	--	$10,550,225.55
Deposit to Improvement District No. 3 Series B-1 Building Fund	--	$8,501,075.50	8,501,075.50
Deposit to Improvement District No. 3 Debt Service Fund	253,803.79	--	253,803.79
Costs of Issuance[1]	702,252.61	--	702,252.61
Total Uses	$11,506,281.95	$8,501,075.50	$20,007,357.45

(1) All costs of issuance, including Underwriter's discount, and bond insurance premium.

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Improvement District No. 4 Bonds

The estimated sources and uses of funds with respect to the Improvement District No. 4 Bonds will be applied as follows:

Sources of Funds	Improvement District No. 4 Series B Bonds	Improvement District No. 4 Series B-1 Bonds	Total
Principal Amount of Bonds	$2,628,625.65	$22,375,000.00	$25,003,625.65
Net Original Issue Premium	1,174,266.35	--	1,174,266.35
Total Sources	$3,802,892.00	$22,375,000.00	$26,177,892.00
Uses of Funds			
Deposit to Improvement District No. 4 Series B Building Fund	$2,628,625.65	--	$2,628,625.65
Deposit to Improvement District No. 4 Series B-1 Building Fund	--	$22,375,000.00	22,375,000.00
Deposit to Improvement District No. 4 Debt Service Fund	475,259.24	--	475,259.24
Costs of Issuance(1)	699,007.11	--	699,007.11
Total Uses	$3,802,892.00	$22,375,000.00	$26,177,892.00

(1) All costs of issuance, including Underwriter's discount, and bond insurance premium.

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DEBT SERVICE SCHEDULES

Improvement District No. 3 Bonds

The following table shows the debt service schedule with respect to the Improvement District No. 3 Bonds (assuming no optional or extraordinary redemptions):

	Improvement District No. 3 Series B Bonds				Improvement District No. 3 Series B-1 Bonds		
	Current Interest Bonds		Capital Appreciation Bonds		Current Interest Bonds		
Year Ending October 1	Annual Principal Payment	Annual Interest Payment(1)	Annual Principal Payment(2)	Accreted Interest at Maturity(2)	Annual Principal Payment	Annual Interest Payment(1)	Total Annual Debt Service
2010	$480,000.00	$18,376.67	--	--	--	$485,369.40	$983,746.07
2011	225,000.00	12,600.00	--	--	--	586,352.30	823,952.30
2012	405,000.00	8,100.00	--	--	--	586,352.30	999,452.30
2013	--	--	--	--	--	586,352.30	586,352.30
2014	--	--	$16,875.20	$3,124.80	--	586,352.30	606,352.30
2015	--	--	--	--	--	586,352.30	586,352.30
2016	--	--	37,195.50	12,804.50	--	586,352.30	636,352.30
2017	--	--	--	--	--	586,352.30	586,352.30
2018	--	--	122,861.60	67,138.40	--	586,352.30	776,352.30
2019	--	--	130,939.60	89,060.40	--	586,352.30	806,352.30
2020	--	--	313,942.40	266,057.60	--	586,352.30	1,166,352.30
2021	--	--	--	--	$745,000.00	586,352.30	1,331,352.30
2022	--	--	--	--	1,265,000.00	539,879.20	1,804,879.20
2023	--	--	--	--	1,560,000.00	459,071.00	2,019,071.00
2024	--	--	--	--	2,170,000.00	357,078.20	2,527,078.20
2025	--	--	939,097.80	1,625,902.20	--	213,033.60	2,778,033.60
2026	--	--	1,027,592.50	1,997,407.50	--	213,033.60	3,238,033.60
2027	--	--	960,048.50	2,089,951.50	--	213,033.60	3,263,033.60
2028	--	--	997,599.75	2,427,400.25	--	213,033.60	3,638,033.60
2029	--	--	915,110.00	2,484,890.00	--	213,033.60	3,613,033.60
2030	--	--	926,475.55	2,818,524.45	--	213,033.60	3,958,033.60
2031	--	--	872,063.50	2,977,936.50	--	213,033.60	4,063,033.60
2032	--	--	911,542.95	3,453,457.05	--	213,033.60	4,578,033.60
2033	--	--	998,349.40	5,981,650.60	--	213,033.60	7,193,033.60
2034	--	--	270,531.30	4,614,468.70	2,845,000.00	213,033.60	7,943,033.60
Total	$1,110,000.00	$39,076.67	$9,440,225.55	$30,909,774.45	$8,585,000.00	$10,421,609.10	$60,505,685.77

(1) Interest payments on the Current Interest Bonds will be made semiannually on April 1 and October 1 of each year, commencing April 1, 2010.

(2) The Capital Appreciation Bonds are payable only at maturity on October 1 of each year, and interest on such Capital Appreciation Bonds is compounded semiannually on April 1 and October 1, commencing April 1, 2010.

Improvement District No. 4 Bonds

The following table shows the debt service schedule with respect to the Improvement District No. 4 Bonds, (assuming no optional or extraordinary redemptions):

	Improvement District No. 4 Series B Bonds				Improvement District No. 4 Series B-1 Bonds		
	Current Interest Bonds		Capital Appreciation Bonds		Current Interest Bonds		
Year Ending October 1	Annual Principal Payment	Annual Interest Payment(1)	Annual Principal Payment(2)	Accreted Interest at Maturity(2)	Annual Principal Payment	Annual Interest Payment(1)	Total Annual Debt Service
2010	1,070,000.00	44,244.72	--	--	--	$1,357,883.57	$2,472,128.29
2011	140,000.00	32,050.00	--	--	--	1,640,396.26	1,812,446.26
2012	110,000.00	29,250.00	--	--	--	1,640,396.26	1,779,646.26
2013	100,000.00	27,050.00	--	--	--	1,640,396.26	1,767,446.26
2014	110,000.00	24,050.00	--	--	--	1,640,396.26	1,774,446.26
2015	125,000.00	20,750.00	--	--	--	1,640,396.26	1,786,146.26
2016	140,000.00	17,000.00	--	--	--	1,640,396.26	1,797,396.26
2017	155,000.00	12,800.00	--	--	--	1,640,396.26	1,808,196.26
2018	165,000.00	6,600.00	--	--	--	1,640,396.26	1,811,996.26
2019	--	--	--	--	$210,000.00	1,640,396.26	1,850,396.26
2020	--	--	--	--	295,000.00	1,628,346.46	1,923,346.46
2021	--	--	--	--	390,000.00	1,610,829.36	2,000,829.36
2022	--	--	--	--	490,000.00	1,586,891.16	2,076,891.16
2023	--	--	--	--	605,000.00	1,556,079.96	2,161,079.96
2024	--	--	--	--	720,000.00	1,517,130.06	2,237,130.06
2025	--	--	--	--	855,000.00	1,470,056.46	2,325,056.46
2026	--	--	--	--	1,005,000.00	1,406,889.06	2,411,889.06
2027	--	--	--	--	1,165,000.00	1,332,639.66	2,497,639.66
2028	--	--	--	--	1,340,000.00	1,246,569.46	2,586,569.46
2029	--	--	--	--	1,535,000.00	1,147,570.26	2,682,570.26
2030	--	--	--	--	1,750,000.00	1,034,164.46	2,784,164.46
2031	--	--	--	--	1,980,000.00	902,686.96	2,882,686.96
2032	--	--	--	--	2,235,000.00	753,929.56	2,988,929.56
2033	--	--	$21,020.55	$193,979.45	7,800,000.00	586,014.00	8,601,014.00
2034	--	--	492,605.10	8,402,394.90	--	--	8,895,000.00
Total	$2,115,000.00	$213,794.72	$513,625.65	$8,596,374.35	$22,375,000.00	$33,901,246.79	$67,715,041.51

(1) Interest payments on the Current Interest Bonds will be made semiannually on April 1 and October 1 of each year, commencing April 1, 2010.

(2) The Capital Appreciation Bonds are payable only at maturity on October 1 of each year, and interest on such Capital Appreciation Bonds is compounded semiannually on April 1 and October 1, commencing April 1, 2010.

APPLICATION OF PROCEEDS OF BONDS

Building Funds

Improvement District No. 3 Bonds. The proceeds of the sale of the Improvement District No. 3 Series B Bonds shall be deposited in the "Folsom Cordova Unified School District School Facilities Improvement District No. 3 General Obligation Bonds, Series B Building Fund" (the "Improvement District No. 3 Series B Building Fund") and shall be applied only for the purposes for which the Improvement District No. 3 Series B Bonds are issued. The proceeds of the sale of the Improvement District No. 3 Series B-1 Bonds shall be deposited in the "Folsom Cordova Unified School District School Facilities Improvement District No. 3 General Obligation Bonds, Series B-1 Building Fund" (the "Improvement District No. 3 Series B-1 Building Fund," and, together with the Improvement District No.

3 Series B Building Fund, the "Improvement District No. 3 Building Funds") and shall be applied only for the purposes for which the Improvement District No. 3 Series B-1 Bonds are issued. Any interest earnings on moneys held in the Improvement District No. 3 Building Funds shall be retained in the respective Improvement District No. 3 Building Funds.

Improvement District No. 4 Bonds. The proceeds of the sale of the Improvement District No. 4 Series B Bonds shall be deposited in the "Folsom Cordova Unified School District School Facilities Improvement District No. 4 General Obligation Bonds, Series B Building Fund" (the "Improvement District No. 4 Series B Building Fund") and shall be applied only for the purposes for which the Improvement District No. 4 Series B Bonds are issued. The proceeds of the sale of the Improvement District No. 4 Series B-1 Bonds shall be deposited in the "Folsom Cordova Unified School District School Facilities Improvement District No. 4 General Obligation Bonds, Series B-1 Building Fund" (the "Improvement District No. 4 Series B-1 Building Fund," and, together with the Improvement District No. 4 Series B Building Fund, the "Improvement District No. 4 Building Funds") and shall be applied only for the purposes for which the Improvement District No. 4 Series B-1 Bonds are issued. Any interest earnings on moneys held in the Improvement District No. 4 Building Funds shall be retained in the respective Improvement District No. 4 Building Funds.

Debt Service Funds

Improvement District No. 3 Bonds. The *ad valorem* property taxes levied by the County for the payment of the Improvement District No. 3 Bonds, when collected, will be deposited into the Improvement District No. 3 Debt Service Fund. Any premium or accrued interest received by the County on the sale of the Improvement District No. 3 Bonds shall be deposited in the Improvement District No. 3 Debt Service Fund. Any interest earnings on moneys held in the Improvement District No. 3 Debt Service Fund shall be retained in the Improvement District No. 3 Debt Service Fund. If, after all of the Improvement District No. 3 Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Improvement District No. 3 Debt Service Fund or otherwise held in trust for the payment of the redemption price of the Improvement District No. 3 Bonds, said moneys shall be transferred to the general fund of the School District as provided and permitted by law.

Improvement District No. 4 Bonds. The *ad valorem* property taxes levied by the County for the payment of the Improvement District No. 4 Bonds, when collected, will be deposited into the Improvement District No. 4 Debt Service Fund. Any premium or accrued interest received by the County on the sale of the Improvement District No. 4 Bonds shall be deposited in the Improvement District No. 4 Debt Service Fund. Any interest earnings on moneys held in the Improvement District No. 4 Debt Service Fund shall be retained in the Improvement District No. 4 Debt Service Fund. If, after all of the Improvement District No. 4 Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Improvement District No. 4 Debt Service Fund or otherwise held in trust for the payment of the redemption price of the Improvement District No. 4 Bonds, said moneys shall be transferred to the general fund of the School District as provided and permitted by law.

Permitted Investments

In accordance with the Bond Resolution and subject to federal tax restrictions, moneys in the Debt Service Funds and Building Funds may be invested in any lawful investment permitted by Sections 16429.1 and 53601 of the Government Code of the State of California (the "Government Code"), in the Local Agency Investment Fund of the California State Treasurer (the "LAIF"), or in shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code which invests exclusively in investments permitted by Section 53635 of the Government Code, or in a guaranteed investment contract with a provider rated in the second highest category by each rating agency then rating the Bonds, or in the Sacramento County Investment Pool (the "County Pool") maintained by the Director of Finance. Moneys in the Debt Service Funds and Building Funds are expected to be invested through the County Pool.

SACRAMENTO COUNTY INVESTMENT POOL

The following information provides a general description of current portfolio holdings of the Sacramento County Investment Pool. The information has been furnished by the Director of Finance for use as disclosure information on securities issues. The School District makes no guaranty as to the accuracy or completeness of this information. Further information may be obtained directly from the Director of Finance.

The following table reflects certain limited information with respect to the Sacramento County Pooled Investment Fund (the "County Pool") for the month ending on September 30, 2009. A wide range of investments is authorized under State law. The value of the various investments in the County Pool will fluctuate on a daily basis as a result of a multitude of factors, including, generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the County Pool will not vary significantly from the values described below. In addition, the values specified in the following tables were bases upon estimates of market values provided to Sacramento County by a third party. Accordingly, there can be no assurance that if these securities had been sold on the date indicated, the County Pool necessarily would have received the values specified.

September 30, 2009 Month-End Report

Portfolio's Month-End Balance	$2,289,243,665
Earned Income Yield for the Month	1.367%
Weighted Average Maturity (Days)	209
Estimated Duration (Years)	0.561
Historical Book Value	$2,283,135,787
Month-End Market Value	$2,301,190,978
Percent of Mark to Book Value(1)	100.79%

As of September 30, 2009 the County Pool had approximately 73.08% of its assets invested in U.S. Government Securities, United States Agency Securities and municipal notes, and approximately 26.92% of the County Pool's assets were invested in highly liquid short-term money market instruments (certificates of deposit, commercial paper, the Local Agency Investment Fund and money market funds). The detailed composition, cost and market value of the County Pool were as follows:

Investment Description	Portfolio at Cost	Yield at Month End
U.S. Agency, Treasury & Municipal Notes (USATM):		
U.S. Agency Notes	71.13%	1.589%
U.S. Treasury Notes	0.00	0.000
Municipal Notes	1.95	1.761
Total USATM	73.08	1.594
Commercial Paper (CP)	9.48	0.224
Certificates of Deposit (CD)	7.31	0.906
LAIF/Money Market Funds (MMF)	10.13	0.316
Repurchase Agreements (REPO)	0.00	0.000
Total	100.00%	

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal and Maturity Value of and interest on the Bonds are payable from the proceeds of an ad valorem *tax levied by the County for the payment thereof. (See "THE BONDS – Security" herein.) Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this Appendix to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and the ability of the School District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The taxes levied by the County for payment of the Bonds were approved by the voters of the respective Improvement Districts in compliance with Article XIIIA, Article XIIIC, and all applicable laws.*

Article XIIIA of the California Constitution

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

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" herein.

Article XIIIA requires a vote of 66.67% or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by 66.67% or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) 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% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Improvement District No. 3 Bonds falls within the exception identified in clause (b) of the preceding sentence; the tax for payment of the Improvement District No. 4 Bonds falls within the exception identified in clause (c) of the preceding sentence. In addition, Article XIIIA requires the approval of 66.67% or more of all members of the State legislature to change any State taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not-to-exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Article XIIIB of the California Constitution

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

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

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

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

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

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

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

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "Propositions 98 and 111" below.

Article XIIIC and Article XIIID of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a 66.67% vote. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a 66.67% vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

Article XIIIC also provides that the initiative power will 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 mandatory, statutory duty on the County to levy a property tax sufficient to pay debt service on the 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 mandatory, statutory duty of the School District and the County with respect to such taxes which are pledged as security for payment of the Bonds. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

The School District and the Improvement District do not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the School District or the Improvement Districts, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the School District or the Improvement Districts, thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the School District or the Improvement Districts.

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period. The current level of guaranteed funding pursuant to Proposition 98 is 34.55% of the State general fund.

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

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

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

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

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

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

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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

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

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than 66.67%) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay such bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the School District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that received 66.67% voter approval after July 1, 1978.

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary or high school district), or $25 (for a community college district), per $100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of Howard Jarvis Taxpayers Association, *et al*. v. Kathleen Connell (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to State statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the School District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the School District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the School District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID of the California Constitution 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 the School District's revenues or the School District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the School District.

TAX BASE FOR REPAYMENT OF THE BONDS

The information in this section describes ad valorem *property taxation, assessed valuation, and other measures of the tax base of the Improvement Districts. The Bonds are payable solely from* ad valorem *taxes levied and collected by the County on taxable property in the respective Improvement Districts. The School District's general fund is not a source for the repayment of the Bonds.*

Ad Valorem Property Taxation

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Assessed Valuations

The assessed valuation of property in the respective Improvement Districts is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein.

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Improvement District No. 3. Property within Improvement District No. 3 has a net taxable assessed valuation for fiscal year 2009-10 of $1,742,218,165. Shown in the following table are the assessed valuations for Improvement District No. 3 since fiscal year 2005-06, and the assessed valuation by jurisdiction for fiscal year 2009-10.

ASSESSED VALUATION
FISCAL YEARS 2005-06 through 2009-10
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

Fiscal Year	Net Taxable Assessed Valuation	Annual % Change
2005-06	$1,028,070,009(1)	--
2006-07	1,224,038,104(1)	19.06%
2007-08	1,686,445,446	37.78
2008-09	1,768,784,022	4.88
2009-10	1,742,218,165	(1.50)

Source: California Municipal Statistics, Inc.

2009-10 ASSESSED VALUATION BY JURISDICTION(1)
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Folsom	$65,362,026	3.75%	$10,437,532,072	0.63%
City of Rancho Cordova	427,591,332	24.54	$6,522,128,813	6.56%
Unincorporated Sacramento County	1,249,264,807	71.71	$47,238,178,039	2.64%
Total	$1,742,218,165	100.00%	$125,859,039,113	1.38%

(1) Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

Improvement District No. 4. Property within Improvement District No. 4 has a net taxable assessed valuation for fiscal year 2009-10 of $4,956,800,669. Shown in the following table are the assessed valuations for Improvement District No. 4 since fiscal year 2005-06, and the assessed valuation by jurisdiction for fiscal year 2009-10.

ASSESSED VALUATION
FISCAL YEARS 2005-06 through 2009-10
Folsom Cordova Unified School District
School Facilities Improvement District No. 4

Fiscal Year	Net Taxable Assessed Valuation	Annual % Change
2005-06	$4,055,692,377	--
2006-07	4,451,566,829	9.76%
2007-08	4,911,309,324	10.33
2008-09	5,102,779,309	3.90
2009-10	4,956,800,669	(2.86)

Source: California Municipal Statistics, Inc.

2009-10 ASSESSED VALUATION BY JURISDICTION[(1)]
Folsom Cordova Unified School District
School Facilities Improvement District No. 4

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Rancho Cordova	$4,447,721,446	89.73%	$6,522,128,813	68.19%
Unincorporated Sacramento County	509,079,223	10.27	$47,238,178,039	1.08%
Total	$4,956,800,669	100.00%	$125,859,039,113	3.94%

(1) Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

For fiscal year 2009-10, the total assessed valuation of taxable property within the Improvement Districts fell by 1.5% (in Improvement District No. 3) and by 2.86% (in Improvement District No. 3). Particularly for Improvement District No. 4, this reduction resulted in part from unilateral reductions in assessed valuation by the County pursuant to Article XIIIA of the State Constitution. See "—Appeals and Reductions of Assessed Valuations" herein. In addition to further general market declines in land values, other factors beyond the School District's control, including disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause further reductions in the assessed value of taxable property within the Improvement Districts. See "THE BONDS – Security and Sources of Payment" herein.

Appeals and Reductions of Assessed Valuation

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

The County Assessor reports, as of November 1, 2009, that 28 appeals of assessed valuation filed by landowners of parcels located within Improvement District No. 3 remain outstanding. The total reduction in assessed valuation sought by these landowners is approximately $166 million. The County Assessor also reports, as of such date, that 158 appeals of assessed valuation filed by landowners of parcels within Improvement District No. 4 remain outstanding. The total reduction in assessed valuation sought be these landowners is approximately $344 million. No assurance can be given that some or all of these appeals will be successful.

Pursuant to Article XIIIA, the County Assessor reports, as of October 30, 2009, reductions to the 2009-10 assessed valuation of 24 parcels within Improvement District No. 3, accounting for a total assessed valuation reduction of approximately $6.2 million. The County Assessor also reports, as of such date, reductions to the 2009-10 assessed valuation of 473 parcels within Improvement District No. 4, accounting for a total assessed valuation reduction of $47.8 million. These reductions coincided with reductions to the 2009-10 assessed valuation of approximately 899 parcels within the School District, reflecting a total assessed valuation reduction within the School District of $87.7 million. County-wide, the County Assessor reported, as of July 7, 2009, reductions to the 2009-10 assessed valuation of approximately 170,000 parcels within the County, resulting in a reduction of 6.2% of the total assessed valuation of taxable property within the County.

No assurance can be given that property tax appeals or unilateral County reductions in the future will not significantly reduce the assessed valuation of property within the Improvement Districts or the School District.

Taxation of State-Assessed Utility Property

A portion of property tax revenue of the respective Improvement Districts 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 that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. The assessed value of 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 Improvement Districts) according to statutory formulae generally based on the distribution of taxes in the prior year.

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

Because the School District is a not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "SCHOOL DISTRICT FINANCIAL INFORMATION – Revenue Sources" herein.

Alternative Method of Tax Apportionment

In June of 1993, the County Board approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq*. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions, including the Improvement Districts and the School District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan was effective for the fiscal year commencing July 1, 1993, and pursuant to the Teeter Plan the County purchased all delinquent receivables (comprised of delinquent taxes, penalties, and interest) which had accrued as of June 30, 1993, from local taxing entities and selected special assessment districts and community facilities districts. Under the Teeter Plan, the County distributes tax collections on a cash basis to taxing entities during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities and those special assessment districts and community facilities districts which the County determines are eligible to participate in the Teeter Plan.

The County reserves the right to exclude from the Teeter Plan any special tax levying agency or assessment levying agency if such agency has provided for accelerated foreclosure proceedings in the event of non-payment of such special taxes or assessments except that, if such agency has a delinquency rate in the collection of such special tax or assessment as of June 30 of any fiscal year that is equal to or less than the County's delinquency rate on the collection of current year *ad valorem* taxes on the countywide secured assessment roll, such agency's special taxes or assessments may, at the County's option, be included in the Teeter Plan.

The *ad valorem* property taxes to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan. Improvement Districts will receive 100% of the *ad valorem* property tax levied to pay their respective Bonds irrespective of actual delinquencies in the collection of the tax by the County.

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 of the County (which commences on July 1), 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. The County Board may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. 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 School District and the Improvement Districts) for which the County acts as the tax-levying or tax-collecting agency.

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Tax Rates

Improvement District No. 3. The following tables summarize the total *ad valorem* tax rates levied by all taxing entities in four typical tax rate areas within Improvement District No. 3 between fiscal years 2006-07 through 2009-10.

SUMMARY OF *AD VALOREM* TAX RATES
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

	2006-07	2007-08	2008-09	2009-10
City of Folsom (Tax Rate Area 4-030)				
General	1.0000%	1.0000%	1.0000%	1.0000%
City of Folsom	.0319	.0290	.0298	.0294
Los Rios Community College District	.0072	.0066	.0074	.0124
Folsom Cordova Unified School District SFID No. 2	.0290	.0288	.0283	.0312
Folsom Cordova Unified School District SFID No. 3	--	.0370	.0505	.0985
Total Tax Rate	1.0681%	1.1014%	1.1160%	1.1715%
City of Rancho Cordova (Tax Rate Area 8-036)				
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%
Los Rios Community College District	.0072	.0066	.0074	.0124
Folsom Cordova Unified School District SFID No. 1	.0507	.0512	.0477	.0537
Folsom Cordova Unified School District SFID No. 3	--	.0370	.0505	.0985
Total Tax Rate	1.0579%	1.0948%	1.1056%	1.1646%
Unincorporated Sacramento County (Tax Rate Area 52-038)				
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%
Los Rios Community College District	.0072	.0066	.0074%	.0124
Folsom Cordova Unified School District SFID No. 1	.0507	.0512	.0477	.0537
Folsom Cordova Unified School District SFID No. 3	--	.0370	.0505%	.0985
Total Tax Rate	1.0579%	1.0948%	1.1056%	1.1646%
Unincorporated Sacramento County (Tax Rate Area 52-043)				
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%
Los Rios Community College District	.0072	.0066	.0074	.0124
Folsom Cordova Unified School District SFID No. 2	.0290	.0288	.0283	.0312
Folsom Cordova Unified School District SFID No. 3	--	.0370	.0505	.0985
Total Tax Rate	1.0362%	1.0724%	1.0862%	1.1421%

Source: California Municipal Statistics, Inc.

Improvement District No. 4. The following tables summarize the total *ad valorem* tax rates levied by all taxing entities in two typical tax rate areas within Improvement District No. 4 between fiscal years 2006-07 through 2009-10.

SUMMARY OF *AD VALOREM* TAX RATES
Folsom Cordova Unified School District
School Facilities Improvement District No. 4

	2006-07	2007-08	2008-09	2009-10
City of Rancho Cordova (Tax Rate Area 8-011)				
General	1.0000%	1.0000%	1.0000%	1.0000%
Los Rios Community College District	.0072	.0066	.0074	.0124
Folsom Cordova Unified School District SFID No. 1	.0507	.0512	.0477	.0537
Folsom Cordova Unified School District SFID No. 4	--	.0600	.0343	.0599
Total Tax Rate	1.0579%	1.1178%	1.0894%	1.1260%
Unincorporated Sacramento County (Tax Rate Area 52-015)				
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%
Los Rios Community College District	.0072	.0066	.0074	.0124
Folsom Cordova Unified School District SFID No. 1	.0507	.0512	.0477	.0537
Folsom Cordova Unified School District SFID No. 4	--	.0600	.0343	.0599
Total Tax Rate	1.0579%	1.1178%	1.0894%	1.1260%

Source: California Municipal Statistics, Inc.

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Largest Property Owners

Improvement District No. 3. The following table shows the 20 largest property taxpayers in Improvement District No. 3 as determined by secured assessed valuation in fiscal year 2009-10.

LARGEST 2009-10 LOCAL SECURED PROPERTY TAXPAYERS
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

	Property Owner	2009-10 Primary Land Use	Assessed Valuation	% of Total[1]
1.	Aerojet General Corporation	Industrial	$279,579,233	19.23%
2.	Oak Brook Estates	Apartments	44,344,696	3.05
3.	Carpenter Ranch LP	Undeveloped	34,514,716	2.37
4.	Teledyne Wireless Inc.	Industrial	31,014,066	2.13
5.	FJM Sunrise Associates LLC	Industrial	28,767,379	1.98
6.	Elliott Whiterock LLC	Industrial	26,000,000	1.79
7.	TIC Lake Natoma LLC	Office Building	19,483,776	1.34
8.	C.C. Myers Inc.	Industrial	19,361,968	1.33
9.	Price Company	Commercial	18,184,818	1.25
10.	D. Benvenuti Holdings LLC	Industrial	17,159,224	1.18
11.	Grant Line Road Properties LLC	Industrial	16,959,394	1.17
12.	Rancho Cordova Hotel Associates LLC	Hotel	16,521,950	1.14
13.	HV-Houston Development Inc.	Hotel	15,733,769	1.08
14.	ESH & ESA Props LLC	Hotel	13,612,329	0.94
15.	William O. Perry	Commercial	12,789,556	0.88
16.	Jamal LLC	Industrial	12,778,118	0.88
17.	Browning Ferris	Industrial	12,543,750	0.86
18.	Lakha Properties Sacramento II LLC	Commercial	11,937,526	0.82
19.	Stonecreek Industrial LLC	Industrial	10,200,000	0.70
20.	1998 Keyes Family LP	Commercial	10,174,759	0.70
			$651,661,027	44.82%

[1] 2009-10 local secured assessed valuation: $1,454,082,730.
Source: California Municipal Statistics, Inc.

Improvement District No. 4. The following table shows the 20 largest property taxpayers in Improvement District No. 4 as determined by secured assessed valuation in fiscal year 2009-10.

LARGEST 2009-10 LOCAL SECURED PROPERTY TAXPAYERS
Folsom Cordova Unified School District
School Facilities Improvement District No. 4

	Property Owner	2009-10 Primary Land Use	Assessed Valuation	% of Total[1]
1.	PGOCC	Office Building	$109,203,464	2.41%
2.	DL Capital Center LP	Office Building	99,016,500	2.19
3.	Rreef America REIT II Corporation	Office Building	77,033,535	1.70
4.	Altair Holding Company	Office Building	74,895,182	1.66
5.	Franklin Resources Inc.	Office Building	60,164,632	1.33
6.	Wasatch Pool Holdings LLC	Apartments	39,922,701	0.88
7.	Cordova LLC	Office Building	37,612,617	0.83
8.	Mather Development Partners LP	Office Building	35,936,207	0.79
9.	Bishops Court I & II	Apartments	34,489,643	0.76
10.	Lexington Lion Rancho Cordova LP	Office Building	34,421,341	0.76
11.	Hines REIT 3400 Data Dr. LP	Office Building	34,151,130	0.76
12.	AMFP I Ashgrove LLC	Apartments	33,389,800	0.74
13.	WDCI Inc.	Office Building	25,233,146	0.56
14.	Callahan Pentz Properties	Office Building	24,513,904	0.54
15.	Salvatore A. Rubino Declaration of Trust	Office Building	23,234,032	0.51
16.	GSV Rancho Cordova LLC	Office Building	22,368,600	0.49
17.	Prospect Park LLC	Office Building	22,054,553	0.49
18.	Sequoia Equities-Fairways	Apartments	21,267,634	0.47
19.	Berkeley Land Co.	Office Building	21,054,700	0.47
20.	Zinfandel Village Venture Ltd.	Apartments	19,590,287	0.43
			$849,553,608	18.78%

(1) 2009-10 local secured assessed valuation: $4,522,811,871.
Source: California Municipal Statistics, Inc.

Debt Obligations

Set forth below are direct and overlapping debt reports regarding each of Improvement District No. 3 and Improvement District No. 4 (each a "Debt Report") prepared by California Municipal Statistics, Inc. and effective October 1, 2009. The Debt Reports are included for general information purposes only. The Improvement Districts have not reviewed the Debt Reports for completeness or accuracy and make no representation in connection therewith.

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

The contents of the Debt Reports are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the respective District; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the respective District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the respective District, as determined by multiplying the total outstanding debt of each agency by the percentage of the respective District's assessed valuation represented in column 2.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

2009-10 Assessed Valuation: $1,742,218,165

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 10/1/09
Los Rios Community College District	1.175%	$2,347,826
Folsom Cordova Unified School District School Facilities Improvement District No. 1	27.220	11,919,925
Folsom Cordova Unified School District School Facilities Improvement District No. 2	2.135	879,330
Folsom Cordova Unified School District School Facilities Improvement District No. 3	100.000	24,413,630[2]
City of Folsom	0.676	118,976
Sacramento Area Flood Control Consolidated Capital Assessment District	0.008	13,443
Sacramento Area Flood Control District Operations and Maintenance Assessment District	1.965	81,842
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$39,774,972
OVERLAPPING GENERAL FUND DEBT:		
Sacramento County General Fund Obligations	1.398%	$4,955,729
Sacramento County Pension Obligations	1.398	12,873,341
Sacramento County Board of Education Certificates of Participation	1.398	155,877
Los Rios Community College District Certificates of Participation	1.175	78,666
Sacramento Metropolitan Fire District Pension Obligations	3.192	2,127,435
Folsom Cordova Unified School District Certificates of Participation	11.304	3,830,360
City of Folsom General Fund Obligations	0.676	94,099
City of Rancho Cordova Certificates of Participation	7.114	1,795,218
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$25,910,725
Less: Sacramento County self-supporting obligations		(101,460)
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$25,809,265
GROSS COMBINED TOTAL DEBT		$65,685,697[3]
NET COMBINED TOTAL DEBT		$65,584,237

(1) Based on 2008-09 ratios.
(2) Excludes the Improvement District No. 3 Bonds described herein.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:
- Direct Debt ($24,413,630) 1.40%
- Total Direct and Overlapping Tax and Assessment Debt 2.28%
- Gross Combined Total Debt 3.77%
- Net Combined Total Debt...3.76%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

Source: California Municipal Statistics, Inc.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Folsom Cordova Unified School District
School Facilities Improvement District No. 4

2009-10 Assessed Valuation:	$4,956,800,669
Redevelopment Incremental Valuation:	(837,681,332)
Adjusted Assessed Valuation:	$4,119,119,337

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 10/1/09
Los Rios Community College District	2.759%	$5,512,896
Folsom Cordova Unified School District School Facilities Improvement District No. 1	72.584	31,785,299
Folsom Cordova Unified School District School Facilities Improvement District No. 4	100.000	37,115,205[2]
Sacramento Area Flood Control Consolidated Capital Assessment District	1.277	2,145,871
Sacramento Area Flood Control District Operations and Maintenance Assessment District	4.727	196,880
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$76,756,151
OVERLAPPING GENERAL FUND DEBT:		
Sacramento County General Fund Obligations	3.280%	$11,627,175
Sacramento County Pension Obligations	3.280	30,203,546
Sacramento County Board of Education Certificates of Participation	3.280	365,720
Los Rios Community College District Certificates of Participation	2.759	184,715
Sacramento Metropolitan Fire District Pension Obligations	7.537	5,023,333
Folsom Cordova Unified School District Certificates of Participation	26.529	8,989,352
City of Rancho Cordova Certificates of Participation	64.345	16,237,461
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$72,631,302
Less: Sacramento County self-supporting obligations		(238,046)
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$72,393,256
GROSS COMBINED TOTAL DEBT		$149,387,453[3]
NET COMBINED TOTAL DEBT		$149,149,407

(1) Based on 2008-09 ratios.
(2) Excludes the Improvement District No. 4 Bonds described herein.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:
Direct Debt ($37,115,205) 0.75%
Total Direct and Overlapping Tax and Assessment Debt 1.55%
Gross Combined Total Debt 3.63%
Net Combined Total Debt...3.62%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

Source: California Municipal Statistics, Inc.

IMPROVEMENT DISTRICT NO. 3

General Description

The Improvement District No. 3 Bonds are being issued by the School District and the County on behalf of Improvement District No. 3. On June 8, 2006, Improvement District No. 3 was established by the Board of Education of the School District pursuant to its Resolution No. 06-08-06-44 and the Act.

With respect to the authorization for the Improvement District No. 3 Bonds, the Board of Education ordered a special election of the registered voters residing in the territory of Improvement District No. 3, which was held on March 27, 2007. At this election, 81% of the voters voting on the measure approved the issuance of not-to-exceed $750,000,000 principal amount of general obligation bonds for Improvement District No. 3.

Location and Territory

Improvement District No. 3 is located in the southeastern portion of the School District, and consists of territory east of Sunrise Boulevard and west of the El Dorado County line. The area of Improvement District No. 3 includes areas of the School District that are also part of Improvement District No. 1 (defined herein) and Improvement District No. 2 (defined herein). See "APPENDIX A – Location Maps" herein. The area of Improvement District No. 3 is about 52.6 square miles, representing about 54.8% of the territory of the School District, and includes a portion of the City of Rancho Cordova, an unincorporated sphere of influence of the City of Folsom and adjacent unincorporated areas of the County. Improvement District No. 3 has an estimated population in 2009 of approximately 400 persons, accounting for approximately 0.3% of the total population of the School District.

Governing Board

The Board of Education of the School District serves as the governing board of Improvement District No. 3. See "THE SCHOOL DISTRICT – Administration" herein.

IMPROVEMENT DISTRICT NO. 4

General Description

The Improvement District No. 4 Bonds are being issued by the School District and the County on behalf of Improvement District No. 4. On June 8, 2006, Improvement District No. 4 was established by the School District pursuant to its Resolution No. 06-08-06-47 and the Act.

The Board of Education ordered an election of the registered voters residing in the territory of Improvement District No. 4 which was held November 7, 2006. At this election, 69% of the voters voting on the measure approved the issuance of not-to-exceed $125,000,000 principal amount of general obligation bonds for Improvement District No. 4.

Location and Territory

Improvement District No. 4 is located in the southwestern portion of the School District, and consists of territory west of Sunrise Boulevard. The area of Improvement District No. 4 includes areas of the School District that are also part of Improvement District No. 1 (defined herein). See "APPENDIX A – Location Maps" herein. The area of Improvement District No. 4 is about 18.3 square miles, representing about 19.1% of the territory of the School District, and includes a portion of the City of Rancho Cordova and unincorporated areas of the County. Improvement District No. 4 has an estimated population in 2009 of approximately 61,000 persons, accounting for approximately 45.5% of the total population of the School District.

Governing Board

The Board of Education of the School District serves as the governing board of Improvement District No. 4. See "THE SCHOOL DISTRICT – Administration" herein.

THE SCHOOL DISTRICT

General Information

The School District is located in the greater Sacramento metropolitan region about 20 miles northeast of the City of Sacramento. The School District includes nearly all of the City of Folsom, a large portion of the City of Rancho Cordova, and adjacent unincorporated areas in Sacramento County. The School District encompasses a territory of about 96 square miles and was established in 1949.

The School District is a unified school district serving students in grades K-12. The School District operates 33 schools, including 21 elementary schools, four middle schools, three comprehensive high schools, four alternative high schools and one dependent charter school. The District also operates 13 preschool programs at seven sites, 16 child care centers and an adult education program.

Administration

The School District is governed by a five-member Board of Education (the "Board"), each of whom is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed below:

Board Member	Office	Term Expires
Ed Short	President	December 2010
Teresa Stanley	Vice President	December 2012
Jo Ann Reinking	Clerk	December 2012
Roger Benton	Member	December 2010
Richard Shaw	Member	December 2010

The management and policies of the School District are administered by a Superintendent appointed by the Board, who is responsible for the day-to-day School District operations as well as the supervision of the School District's other personnel. Currently, Patrick Godwin is the Superintendent of the School District. Deborah Bettencourt is the Deputy Superintendent and Chief Financial Officer. Their biographies are listed below.

Patrick Godwin, Superintendent. Mr. Godwin has served as Superintendent of the School District since July 2005. Previously, Mr. Godwin served for four years as the Superintendent of the Yuba City Unified School District, a district of 13,000 students in Northern California. An educator for 34 years, Mr. Godwin spent his first 28 years in the Roseville Joint Union High School District where he served as a teacher/coach, Assistant Principal, Principal, and Assistant Superintendent for Human Resources and Student Services. Mr. Godwin earned both a Bachelor of Arts in English and a Master's Degree in Educational Administration from California State University, Sacramento.

Deborah Bettencourt, Deputy Superintendent/Chief Financial Officer. Ms. Bettencourt has served as the Deputy Superintendent/Chief Financial Officer of the School District since 1997. Having worked with schools since 1975, Ms. Bettencourt has previously been employed by the Roseville City School District and the Tracy Unified School District. Ms. Bettencourt graduated from the University of San Francisco with degrees in Business and Human Resources.

Enrollment

School District enrollment increased by 89.3% over the past 26 years, representing an average annual compound growth rate of approximately 2.6%. The following table shows a 26-year enrollment history for the School District.

ANNUAL ENROLLMENT
Folsom Cordova Unified School District
Fiscal Years 1984-85 Through 2009-10

Year	Enrollment	Annual Change	Annual % Change
1984-85	10,148	--	--
1985-86	10,479	331	3.26%
1986-87	10,807	328	3.13
1987-88	11,305	498	4.61
1988-89	11,613	308	2.72
1989-90	11,952	339	2.92
1990-91	12,656	704	5.89
1991-92	13,105	449	3.55
1992-93	13,242	137	1.05
1993-94	12,687	-555	(4.19)
1994-95	12,975	288	2.27
1995-96	13,350	375	2.89
1996-97	13,716	366	2.74
1997-98	14,183	467	3.40
1998-99	14,823	640	4.51
1999-00	15,620	797	5.38
2000-01	16,277	657	4.21
2001-02	16,987	710	4.36
2002-03	17,614	627	3.69
2003-04	18,041	427	2.42
2004-05	18,231	190	1.05
2005-06	18,584	353	1.94
2006-07	18,741	157	0.84
2007-08	19,027	206	1.10
2008-09	19,119	92	0.48
2009-10	19,214	95	0.49

Note: Enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.
Source: Folsom Cordova Unified School District.

On average throughout the School District, the pupil-teacher ratio is approximately 31 to 1 for Kindergarten, 25-to-1 for first and second grades, 31-to-1 for third through fifth grades, 29.5-to-1 for sixth through eighth grades and 29.5-to-1 for ninth through twelfth grades.

Employee Relations

As of September 2009, the School District employed 946.76 full-time equivalent certificated employees and 750.10 full-time equivalent classified employees. School District employees, except management and some part-time employees, are represented by two bargaining units as noted below:

LABOR BARGAINING UNITS
Folsom Cordova Unified School District

Labor Organization	Number of Employees In Organization	Contract Expiration Date
Folsom Cordova Educational Association	965	June 30, 2011
California School Employees Association	920	June 30, 2011

Source: Folsom Cordova Unified School District.

District Retirement Systems

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

All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

All full-time and some part time classified employees participate in PERS, a cost-sharing multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provision are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The School District is part of a "cost-sharing" pool within PERS. One actuarial valuation is performed for those employers participating in the pool, and the same contributions rates applies to each.

The School District's contribution to STRS was $6,357,682 in fiscal year 2007-08, $6,229,066 in fiscal year 2008-09 and is budgeted to be $5,719,897 in fiscal year 2009-10. The School District's contribution to PERS was $2,213,466 in fiscal year 2007-08, $2,017,222 in fiscal year 2008-09 and is budgeted to be $2,207,593 in fiscal year 2009-10.

The School District is currently required by statute to contribute 8.25% of eligible salary expenditures to STRS, while participants contribute 8% of their respective salaries. STRS has a substantial statewide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the School District's share. The School District was required to contribute to PERS at an actuarially determined rate, which is 9.709% of eligible salary expenditures for fiscal year 2009-10, while participants contribute 7% of their respective salaries.

Post-Employment Medical Benefits

The School District provides post-employment medical benefits (the "Benefits") to School District employees meeting certain eligibility requirements. The School District pays the cost of medical insurance coverage for such retirees up to a monthly maximum amount. This amount is established in the year during which an eligible employee chooses to retire. Currently, monthly maximums are $500 for classified employees and $475 for all other employees. The Benefits continue until age 65; managerial employees may continue to receive a monthly benefit of $175 after age 65.

The School District has commissioned and received an actuarial study (the "Study"), dated as of March 1, 2009, with respect to its accrued liability in connection with the Benefits. The Study concluded that the unfunded actuarially accrued liability (the "AAL") of the School District with respect to the Benefits, as of July 1, 2008, is $18,747,311. The Study also concluded that the annual required contribution (the "ARC") is $3,049,987. The ARC is the annual amount that would be necessary to fund the Benefits in accordance with Governmental Accounting Standards Board Statements Nos. 43 and 45. The ARC is expected to increase each year based on covered payroll.

The School District has begun funding its outstanding liability with respect to the Benefits. As of July 1, 2008, the value of assets held in a trust established to fund the Benefits was $4,632,124. The Study factored in the value of these assets when calculating the AAL.

Joint Powers Authorities

The School District participates in joint powers agreements ("JPAs") with the Schools Insurance Authority ("SIA"), which arranges for and provides property and liability insurance to its member school districts, the Schools Excess Liability Fund ("SELF"), which provides excess liability self-funding and risk management, and the School Project for Utility Rate Reduction ("SPURR"), which provides for the direct purchase of natural gas, electricity, and other utility services. The School District pays premiums commensurate with the levels of coverage requested. The JPAs are governed by boards consisting of members elected from the participating districts, which control the operations of the JPAs independent of any influence by the School District beyond the School District's representation on the governing boards.

The JPAs are independently accountable for their fiscal matters, and thus are not components of the School District for financial reporting purposes.

SCHOOL DISTRICT FINANCIAL INFORMATION

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

Accounting Practices

The accounting practices of the School District conforms to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. The Governmental Accounting Standards Board ("GASB") has released Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements became effective on June 15, 2002 for the School District, as well as for any other governmental agency with annual revenues of between $10 million and $100 million in the first fiscal year ending after June 15, 1999.

The School District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific State and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the School District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The School District's accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special type of fund. The fiscal year for each District begins on July 1 and ends on June 30.

Financial Statements

The School District's general fund finances the legally authorized activities of the School District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the School District for the fiscal year ended June 30, 2008, and prior fiscal years are on file with the School District and available for public inspection at the office of the Deputy Superintendent/Chief Financial Officer of the School District, 125 East Bidwell Street, Folsom, California 95630, telephone number (916) 355-1114. Excerpts from the audited financial statements of the School District for the year ended June 30, 2008 are included in APPENDIX B hereto.

The following table shows audited statement of revenues, expenditures and changes in the School District's general fund balances for fiscal years 2003-04 through 2007-08.

AUDITED FINANCIAL STATEMENTS
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund
Fiscal Years 2003-04 through 2007-08
Folsom Cordova Unified School District

	Audited Fiscal Year 2003-04	Audited Fiscal Year 2004-05	Audited Fiscal Year 2005-06	Audited Fiscal Year 2006-07	Audited Fiscal Year 2007-08
Revenues					
Revenue Limit Sources					
State Apportionments	$44,208,525	$52,702,884	$55,684,511	$60,095,921	$63,858,182
Local Sources	36,922,939	33,210,825	35,819,346	40,517,592	41,421,937
Total Revenue Limit Sources	81,131,464	85,913,709	91,503,857	100,613,513	105,280,119
Federal Sources	7,693,723	8,945,316	8,865,150	8,648,136	9,267,764
Other State Sources	13,350,811	14,629,192	16,271,728	22,759,769	21,309,676
Other Local Sources	8,860,588	9,714,840	10,281,411	11,624,985	12,145,257
Total Revenues	111,036,586	119,203,057	126,922,146	143,646,403	148,002,816
Expenditures					
Certificated Salaries	58,473,267	60,557,423	64,369,506	70,520,167	75,373,065
Classified Salaries	18,044,605	18,717,638	19,973,317	22,292,346	25,054,893
Employee Benefits	17,103,666	19,562,476	20,585,457	22,566,607	24,291,294
Books and Supplies	5,817,863	4,829,418	4,956,809	7,484,028	7,631,943
Contract Services and Operating Expenses	11,408,041	11,456,712	11,344,087	12,196,384	13,389,395
Capital Outlay	506,044	362,286	225,325	1,378,031	787,315
Debt Service	1,219,230	570,351	593,693	593,693	1,020,128
Direct/Indirect Costs	--	--	--	--	--
Other Expenditures	90,653	257,093	302,456	302,904	--
Total Expenditures	112,663,369	116,313,397	122,350,649	137,334,160	147,548,033
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(1,626,783)	2,889,660	4,571,497	6,312,243	454,783
Other Financing Sources/(Uses)					
Operating Transfers In	485,234	394,796	624,942	650,275	751,920
Operating Transfers Out	(850,000)	(1,174,979)	(1,348,330)	(2,351,595)	(1,987,644)
Other Financing Sources (Uses)	--	--	--	261,367	--
Total Other Financing Sources/(Uses)	(364,766)	(780,183)	(723,388)	(1,439,953)	(1,235,724)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(1,991,549)	2,109,477	3,848,109	4,872,290	(780,941)
Fund Balance, July 1	11,347,820	9,356,271	11,465,748	15,313,857	20,186,147
Fund Balance, June 30	$9,356,271	$11,465,748	$15,313,857	$20,186,147	$19,405,206

Source: Folsom Cordova Unified School District.

Budget Process

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

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The School District are on a single budget cycle and adopt their respective budgets on or before July 1.

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

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

Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent two fiscal years. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

The School District has never had an adopted budget disapproved by the County superintendent of schools. The School District self-certified as “qualified” its second and third interim financial reports for fiscal year 2008-09, and expects to self-certify as “qualified” its first interim financial report for fiscal year 2009-10.

General Fund Budgets

The School District's general fund budgets for the years ended June 30, 2006 through June 30, 2010, as well as its general fund audited actual results for the fiscal year ending June 30, 2006 through June 30, 2008, and unaudited general fund actual results for the fiscal year ending June 30, 2009, are set forth on the following page.

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GENERAL FUND BUDGETS AND AUDITED AND UNAUDITED ACTUALS
Folsom Cordova Unified School District
Fiscal Years Ending June 30, 2006 through June 30, 2010

	Fiscal Year 2005-06		Fiscal Year 2006-07		Fiscal Year 2007-08		Fiscal Year 2008-09		Fiscal Year 2009-10
	Adopted Budget	Audit	Adopted Budget	Audit	Adopted Budget	Audit	Adopted Budget	Unaudited Actuals	Adopted Budget
REVENUES									
Revenue Limit Sources	$90,740,464	$91,503,857	$98,430,131	$100,613,513	$103,972,607	$105,280,119	$105,565,978	$103,198,857	$90,903,432
Federal Revenue	9,571,077	8,865,150	8,707,377	8,648,136	9,635,308	9,267,764	8,792,104	13,090,326	11,696,003
Other State Revenues	15,130,224	16,271,728	15,849,505	22,759,769	19,795,615	21,309,676	25,888,552	28,151,256	26,222,880
Other Local Revenues	7,743,920	10,281,411	8,429,204	11,624,985	9,548,405	12,145,257	3,582,463	5,175,051	3,691,592
TOTAL REVENUES	123,185,685	126,922,146	131,416,217	143,646,403	142,951,935	148,002,816	143,829,097	149,615,490	132,513,907
EXPENDITURES									
Certificated Salaries	64,494,175	64,369,506	67,982,287	70,520,167	78,360,334	75,373,065	74,577,303	74,249,957	72,573,579
Classified Salaries	19,903,449	19,973,317	21,210,284	22,292,346	24,288,646	25,054,893	25,894,050	25,433,983	26,205,348
Employee Benefits	22,506,728	20,585,457	22,629,503	22,566,607	24,250,274	24,291,294	24,987,505	24,581,472	24,720,982
Books and Supplies	8,076,390	4,956,809	7,991,681	7,484,028	11,218,424	7,631,943	7,355,533	5,998,116	7,406,539
Services and Other Operating Expenses	11,092,185	11,344,087	13,080,151	12,196,384	15,347,835	13,389,395	12,206,509	12,297,533	14,543,660
Capital Outlay	135,136	225,325	149,738	1,378,031	507,962	787,315	201,227	569,288	220,152
Other Outgo	825,738	302,456	867,382	302,904	814,493	1,021,128	1,017,300	1,044,177	409,045
Debt Service	--	593,692	--	593,693	--	--	--	--	--
Direct Support/Indirect Costs	(366,022)	--	(545,648)	--	(515,693)	--	(324,273)	(324,971)	(298,701)
Total Expenditures	126,667,779	122,350,649	133,365,378	137,334,160	154,272,275	147,548,033	145,915,154	143,849,555	145,780,604
Excess (Deficiency) Of Revenues Over Expenditures	(3,482,094)	4,571,497	(1,949,161)	6,312,243	(11,320,340)	454,783	(2,086,057)	5,765,935	(13,266,697)
Other Financing Sources/Uses	(983,237)	(723,388)	(1,026,567)	(1,439,953)	(1,324,802)	(1,235,724)	(488,597)	(913,366)	(923,124)
Net Increase (Decrease) In Fund Balance	(4,465,331)	3,848,109	(2,975,728)	4,872,290	(12,645,142)	(780,941)	(2,574,654)	4,852,569	(14,189,821)
Beginning Fund Balance (July 1)	10,468,225	11,465,748	15,313,857	15,313,857	20,186,147	20,186,147	19,405,206	19,405,206	24,257,776
Ending Fund Balance (June 30)	$6,002,894	$15,313,857	$12,348,129	$20,186,147	$7,541,005	$19,405,206	$16,830,552	$24,257,776	$10,067,954

Source: Folsom Cordova Unified School District.

State Funding of Education

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

Annual State apportionments of basic and equalization aid to school districts are computed based on a revenue limit per unit of average daily attendance ("A.D.A."). Prior to fiscal year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in fiscal year 1998-99, only actual attendance is counted in the calculation of A.D.A.

This change is essentially fiscally neutral for school districts which maintain the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. In the future, school districts which can improve their actual attendance rate will receive additional funding.

The following table shows the average daily attendance for the School District for fiscal years 1995-96 through 2009-10, and the School District's deficited revenue limit for such period.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 1995-96 to 2009-10
Folsom Cordova Unified School District

Fiscal Year	Average Daily Attendance(1)	Annual Change in A.D.A.	Deficited Revenue Limit Per A.D.A.(2)
1995-96	13,034	--	$3,250
1996-97	13,397	363	3,387
1997-98	13,943	546	3,567
1998-99	14,112	169	3,857
1999-00	14,791	679	3,946
2000-01	15,310	519	4,427
2001-02	16,027	717	4,610
2002-03	16,767	740	4,694
2003-04	17,141	374	4,637
2004-05	17,385	244	4,817
2005-06	17,540	155	5,091
2006-07	17,791	251	5,531
2007-08	17,891	100	5,783
2008-09	18,179	288	5,633
2009-10(3)	18,216	37	4,951

Note: All amounts are rounded to the nearest whole number.

(1) Average daily attendance for the second period of attendance, typically in mid-April of each school year. Data for fiscal year 1998-99 and thereafter are based on State legislation which reconfigured Average Daily Attendance to represent actual attendance without regard to excused absences. Average daily attendance data for years prior to 1998-99 are not comparable with data for 1998-99 and subsequent years, and subsequent years.

(2) The State's practice of deficit revenue limit funding, which reduced the amount of revenue limit funds received by school districts, was eliminated effective in fiscal year 2000-01, reinstated beginning in fiscal year 2003-04, and eliminated again effective in fiscal year 2006-07.

(3) Budgeted.

Source: Folsom Cordova Unified School District.

Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

Revenue Sources

The School District categorizes its general fund revenues into four sources: (1) revenue limit sources (consisting of a mix of State and local revenues), (2) federal revenues, (3) other State revenues and (4) other local revenues. Each of these revenue sources is described below.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying the A.D.A. for such district by a base revenue limit per unit of A.D.A. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Funding of the School District's revenue limits is provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the School District's revenue limit and its local property tax revenues. Most California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts.

Certain schools districts, known as "basic aid" districts, have local property tax collections of such a large magnitude that, when compared to the district's total revenue limit, result in the receipt of the minimum State aid of $120 per pupil. This amount is defined in the State's constitution as basic aid. The implication for basic aid districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The School District is not a basic aid district.

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

Revenue limit sources constituted approximately 71.1% of School District general fund revenues in 2007-08, approximately 70.2% of such revenues in 2008-09, and are budgeted to equal approximately 67.9% of such revenues in 2009-10.

Federal Revenues. The federal government provides funding for several of the School District's programs, including special education programs, programs under the No Child Left Behind Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. The federal revenues, most of which are restricted, constituted 6.3% of School District general fund revenues in 2007-08, approximately 7.2% of such revenues in 2008-09 and are budgeted to equal approximately 10.7% of such revenues in 2009-10.

Other State Revenues. As discussed above, the School District receives State apportionment of basic and equalization aid in an amount equal to the difference between the School District's revenue limit and property tax revenues. In addition to such apportionment revenue, the School District receives substantial other State revenues. These other State revenues are primarily restricted revenues funding items such as the Class Size Reduction Program, IIUSP/High Priority Schools Grants, Healthy Start, and School Improvement Program, among others. Other State revenues constituted 14.4% of School District general fund revenues in 2007-08, approximately 19.2% of such revenues in 2008-09 and are budgeted to equal approximately 18.7% of such revenues in 2009-10.

Other Local Revenues. In addition to property taxes, the School District receives additional local revenues from items such as leases and rentals, interest earnings, interagency services, and other local sources. Other local revenues constituted 8.2% of School District general fund revenues in 2007-08, approximately 3.4% of such revenues in 2008-09 and are budgeted to equal approximately 2.6% of such revenues in 2009-10.

Developer Fees. The District maintains a fund, separate and apart from its general fund, to account for developer fees assessed by the School District on residential and commercial development. The following table lists the historical developer collections generated since fiscal year 1997-98.

DISTRICT DEVELOPER FEES
Fiscal Years 1997-98 through 2008-09
Folsom Cordova Unified School District

Fiscal Year	Developer Fees Collected
1997-98	$6,396,849
1998-99	11,903,378
1999-00	12,800,884
2000-01	13,047,026
2001-02	8,355,083
2002-03	9,581,762
2003-04	10,309,989
2004-05	11,010,252
2005-06	8,618,402
2006-07	5,050,294
2007-08	3,321,092
2008-09	3,490,894

Source: Folsom Cordova Unified School District.

Assessed Valuations

The following table shows the taxable assessed valuation of property within the School District between 1979-80 and 2009-10.

TAXABLE ASSESSED VALUATION
FISCAL YEAR 1979-80 TO FISCAL YEAR 2009-10
Folsom Cordova Unified School District

Fiscal Year	Net Taxable Assessed Valuation	Annual % Change
1979-80	$705,240,804	--
1080-81	845,573,192	19.9%
1081-82	996,143,642	17.8
1982-83	1,150,000,096	15.4
1983-84	1,325,064,019	15.2
1984-85	1,613,951,515	21.8
1985-86	1,950,219,659	20.8
1986-87	2,361,233,353	21.1
1987-88	2,705,173,168	14.6
1988-89	3,004,816,676	11.1
1989-90	3,458,808,087	15.1
1990-91	4,066,267,071	17.6
1991-92	4,785,658,683	17.7
1992-93	5,008,867,818	4.7
1993-94	5,264,323,288	5.1
1994-95	5,369,664,654	2.0
1995-96	5,633,310,044	4.9
1996-97	5,519,732,821	(2.0)
1997-98	5,670,991,826	2.7
1998-99	6,071,384,930	7.1
1999-00	6,834,807,435	12.6
2000-01	7,840,832,331	14.7
2001-02	8,835,826,535	12.7
2002-03	9,934,162,483	12.4
2003-04	10,946,068,421	10.2
2004-05	12,147,885,540	11.0
2005-06	13,769,261,533	13.4
2006-07	15,700,200,929	14.0
2007-08	16,915,530,309	7.7
2008-09	17,373,242,979	2.7
2009-10	16,870,431,378	(2.9)

Note: Excludes assessed valuation from unitary utility roll, beginning in 1988-89.
Source: California Municipal Statistics, Inc.

School District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the fiscal year ended June 30, 2008 is shown below:

SCHEDULE OF LONG TERM DEBT
as of June 30, 2008
Folsom Cordova Unified School District

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Certificates of Participation	$37,962,349	--	$1,910,000	$36,052,349
General Obligation Bonds	96,277,476	$64,993,835	3,500,000	157,771,311
Accreted Interest on General Obligation Bonds	7,757,835	2,476,710	--	10,234,545
Post-Employment Medical Benefits	19,506,409	--	489,184	19,017,225
Compensated Absences	847,744	30,670	--	878,414
Totals	$162,351,813	$67,501,215	$5,899,184	$223,953,844

Certificates of Participation. On June 1, 1998, the School District caused its Certificates of Participation (1998 Financing Project) (the "1998 Certificates") to be executed and delivered in the principal amount of $15,245,000 to refund outstanding leases and certificates of participation, construct portions of Sutter Middle School, and to acquire land and various items of equipment. The current outstanding principal of the 1998 Certificates is $1,880,000.

On January 25, 2007, the School District caused its Certificates of Participation (2007 Financing Project) (the "2007 Certificates") to be executed and delivered in the principal amount of $35,860,000 to finance the construction of Russell Ranch Elementary School, complete construction of Vista Del Lago High School, finance a portion of the interest evidenced by the 2007 Certificates, and to purchase a debt service reserve fund surety. The current outstanding principal of the 2007 Certificates is $32,005,000.

The current annual lease payments for the School District's certificates of participation are as follows:

ANNUAL LEASE PAYMENTS
Certificates of Participation
Folsom Cordova Unified School District

Year	1998 Certificates[1]	2007 Certificates[2]	Total
2010	$203,084.38	$3,398,395.00	$3,601,479.38
2011	248,806.26	3,396,360.00	3,645,166.26
2012	246,006.26	3,397,785.00	3,643,791.26
2013	162,756.26	3,399,085.00	3,561,841.26
2014	163,143.76	3,396,722.50	3,559,866.26
2015	158,275.00	3,399,407.50	3,557,682.50
2016	158,406.26	3,396,032.50	3,554,438.76
2017	158,281.26	3,400,345.00	3,558,626.26
2018	157,900.00	3,397,232.50	3,555,132.50
2019	162,262.50	3,396,432.50	3,558,695.00
2020	160,962.50	3,396,032.50	3,556,995.00
2021	159,400.00	3,396,920.00	3,556,320.00
2022	157,575.00	--	157,575.00
2023	160,487.50	--	160,487.50
2024	157,875.00	--	157,875.00
Total	$2,615,221.94	$40,770,750.00	$43,385,971.94

(1) Semi-annual payments of interest with respect to the 1998 Certificates due on September 1 and March 1 of each year; annual payments of principal and interest due on March 1 of each year.
(2) Semi-annual payments of interest with respect to the 2007 Certificates due on April 1 and October 1 of each year; annual payments of principal and interest due on April 1 of each year.

Improvement District No. 1 General Obligation Bonds. The Folsom Cordova Unified School District School Facilities Improvement District No. 1 ("Improvement District No. 1") received authorization at an election held on November 4, 1997 to issue not to exceed $10,400,000 of general obligation bonds (the "Improvement District No. 1 1998 Authorization"). In April 1998, the County issued on behalf of Improvement District No. 1 the first series of bonds under the Improvement District No. 1 1998 Authorization in the aggregate principal amount of $10,396,454.85 (the "Improvement District No. 1 1998 Series A Bonds"). The Improvement District No. 1 1998 Series A Bonds were the first and only series of bonds issued pursuant to, and constituted substantially all of the remaining, the Improvement District No. 1 1998 Authorization.

Improvement District No. 1 received authorization at an election held on March 5, 2002 to issue not to exceed $49,000,000 of general obligation bonds (the "Improvement District No. 1 2002 Authorization"). In July 2002, the County issued on behalf of Improvement District No. 1 the first series of bonds under the Improvement District No. 1 2002 Authorization in the aggregate principal amount of $17,995,749.60 (the "Improvement District No. 1 2002 Series A Bonds"). In December 2004, the County issued on behalf of Improvement District No. 1 the second series of bonds under the Improvement District No. 1 2002 Authorization in the aggregate principal amount of $30,998,849.20 (the "Improvement District No. 1 2002 Series B Bonds"). The Improvement District No. 1 2002 Series B Bonds were the second and final series of bonds issued pursuant to, and constituted substantially all of the remaining, the Improvement District No. 1 2002 Authorization.

The following tables illustrate the debt service on the outstanding general obligation bonds for Improvement District No. 1 (assuming no optional redemptions):

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1
Outstanding General Obligation Bonded Debt

Year Ending (October 1)	Improvement District No. 1 1998 Series A Bonds	Improvement District No. 1 2002 Series A Bonds	Improvement District No. 1 2002 Series B Bonds	Combined Debt Service
2010	$805,612.50	$998,852.50	$1,925,187.50	$3,729,652.50
2011	830,000.00	1,022,227.50	1,971,787.50	3,824,015.00
2012	850,000.00	1,053,727.50	2,019,987.50	3,923,715.00
2013	870,000.00	1,090,927.50	2,069,587.50	4,030,515.00
2014	890,000.00	1,119,437.50	2,120,387.50	4,129,825.00
2015	915,000.00	1,154,075.00	2,173,837.50	4,242,912.50
2016	935,000.00	1,192,150.00	2,232,000.00	4,359,150.00
2017	960,000.00	1,225,000.00	2,285,000.00	4,470,000.00
2018	985,000.00	1,260,000.00	2,341,500.00	4,586,500.00
2019	1,010,000.00	1,300,000.00	2,401,000.00	4,711,000.00
2020	1,035,000.00	1,340,000.00	2,458,000.00	4,833,000.00
2021	1,060,000.00	1,380,000.00	2,522,250.00	4,962,250.00
2022	1,085,000.00	1,425,000.00	2,583,000.00	5,093,000.00
2023	--	1,465,000.00	2,650,000.00	4,115,000.00
2024	--	1,505,000.00	2,715,000.00	4,220,000.00
2025	--	1,555,000.00	2,785,000.00	4,340,000.00
2026	--	1,600,000.00	2,855,000.00	4,455,000.00
2027	--	1,650,000.00	2,925,000.00	4,575,000.00
2028	--	--	3,000,000.00	3,000,000.00
2029	--	--	3,075,000.00	3,075,000.00
Total	$12,230,612.50	$23,336,397.50	$49,108,525.00	$84,675,535.00

Improvement District No. 2 General Obligation Bonded Debt. The Folsom Cordova Unified School District Schools Facilities Improvement District No. 2 ("Improvement District No. 2") received authorization at an election held on March 5, 2002, to issue not to exceed $53,000,000 of general obligation bonds (the "Improvement District No. 2 Authorization"). In July 2002, the County issued on behalf of Improvement District No. 2 the first series of bonds under the Improvement District No. 2 Authorization in the aggregate principal amount of $36,966,422.10 (the "Improvement District No. 2 Series A Bonds"). In December 2004, the County issued on behalf of Improvement District No. 2 the second series of bonds under the Improvement District No. 2 Authorization in the aggregate principal amount of $16,000,000 (the "Improvement District No. 2 Series B Bonds"). The Improvement District No. 2 Series B Bonds constituted substantially all of the remaining Improvement District No. 2 2002 Authorization.

The following tables illustrate the debt service on the outstanding general obligation bonds for Improvement District No. 2 (assuming no optional redemptions):

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2
Outstanding General Obligation Bonded Debt

Year Ending (October 1)	Improvement District No. 2 Series A Bonds	Improvement District No. 2 Series B Bonds	Combined Debt Service
2010	$2,400,357.50	$982,837.50	$3,383,195.00
2011	2,445,357.50	1,003,537.50	3,448,895.00
2012	2,496,420.00	1,026,637.50	3,523,057.50
2013	2,540,420.00	1,044,450.00	3,584,870.00
2014	2,597,782.50	1,065,275.00	3,663,057.50
2015	2,646,837.50	1,089,875.00	3,736,712.50
2016	2,695,631.26	1,112,475.00	3,808,106.26
2017	2,750,287.50	1,131,675.00	3,881,962.50
2018	2,810,000.00	1,154,975.00	3,964,975.00
2019	2,865,000.00	1,179,725.00	4,044,725.00
2020	2,920,000.00	1,203,325.00	4,123,325.00
2021	2,980,000.00	1,222,825.00	4,202,825.00
2022	3,040,000.00	1,250,312.50	4,290,312.50
2023	3,100,000.00	1,275,250.00	4,375,250.00
2024	3,165,000.00	1,301,000.00	4,466,000.00
2025	3,230,000.00	1,328,250.00	4,558,250.00
2026	3,290,000.00	1,351,750.00	4,641,750.00
2027	3,360,000.00	1,376,500.00	4,736,500.00
2028	--	1,407,250.00	1,407,250.00
2029	--	1,438,500.00	1,438,500.00
Total	$51,333,093.76	$23,946,425.00	$75,279,518.76

Improvement District No. 3 General Obligation Bonded Debt. Pursuant to the Improvement District No. 3 Authorization, the voters of Improvement District No. 3 authorized the issuance of not-to-exceed $750,000,000 of general obligation bonds of Improvement District No. 3. On November 8, 2007, the County issued on behalf of Improvement District No. 3 the first series of bonds under the Improvement District No. 3 Authorization in the aggregate principal amount $24,998,630.35 (the "Improvement District No. 3 Series A Bonds"). The Improvement District No. 3 Bonds are the second issuance of bonds under the Improvement District No. 3 Authorization, and following the issuance thereof $705,866,144.10 of the Improvement District No. 3 Authorization will remain.

The following table illustrates the debt service on the outstanding general obligation bonds for Improvement District No. 3 (assuming no optional redemptions):

Year Ending (October 1)	Improvement District No. 3 Series A Bonds	Improvement District No. 3 Series B Bonds	Improvement District No. 3 Series B-1 Bonds	Combined Debt Service
2010	$734,475.00	$498,376.67	$485,369.40	$1,718,221.07
2011	707,475.00	237,600.00	586,352.30	1,531,427.30
2012	520,875.00	413,100.00	586,352.30	1,520,327.30
2013	1,111,075.00	--	586,352.30	1,697,427.30
2014	1,202,275.00	20,000.00	586,352.30	1,808,627.30
2015	1,318,775.00	--	586,352.30	1,905,127.30
2016	1,357,025.00	50,000.00	586,352.30	1,993,377.30
2017	1,569,750.00	--	586,352.30	2,156,102.30
2018	1,775,000.00	190,000.00	586,352.30	2,551,352.30
2019	2,015,000.00	220,000.00	586,352.30	2,821,352.30
2020	2,155,000.00	580,000.00	586,352.30	3,321,352.30
2021	2,450,000.00	--	1,331,352.30	3,781,352.30
2022	2,630,000.00	--	1,804,879.20	4,434,879.20
2023	2,875,000.00	--	2,019,071.00	4,894,071.00
2024	2,945,000.00	--	2,527,078.20	5,472,078.20
2025	3,055,000.00	2,565,000.00	213,033.60	5,833,033.60
2026	2,985,000.00	3,025,000.00	213,033.60	6,223,033.60
2027	2,980,000.00	3,050,000.00	213,033.60	6,243,033.60
2028	2,875,000.00	3,425,000.00	213,033.60	6,513,033.60
2029	2,825,000.00	3,400,000.00	213,033.60	6,438,033.60
2030	2,725,000.00	3,745,000.00	213,033.60	6,683,033.60
2031	2,785,000.00	3,850,000.00	213,033.60	6,848,033.60
2032	2,810,000.00	4,365,000.00	213,033.60	7,388,033.60
2033	--	6,980,000.00	213,033.60	7,193,033.60
2034	--	4,885,000.00	3,058,033.60	7,943,033.60
Total	$48,406,725.00	$41,499,076.67	$19,006,609.10	$108,912,410.77

Improvement District No. 4 General Obligation Bonded Debt. Pursuant to the Improvement District No. 4 Authorization, the voters of Improvement District No. 4 authorized the issuance of not-to-exceed $125,000,000 of general obligation bonds of Improvement District No. 4. On November 8, 2007, the County issued on behalf of Improvement District No. 4 the first series of bonds under the Improvement District No. 4 Authorization in the aggregate principal amount $39,995,205.05 (the "Improvement District No. 4 Series A Bonds"). The Improvement District No. 4 Bonds are the second issuance of bonds under the Improvement District No. 4 Authorization, and following the issuance thereof, $60,001,169.30 of the Improvement District No. 4 Authorization will remain.

The following table illustrates the debt service on the outstanding general obligation bonds for Improvement District No. 4 (assuming no optional redemptions):

Year Ending (October 1)	Improvement District No. 4 Series A Bonds	Improvement District No. 4 Series B Bonds	Improvement District No. 4 Series B-1 Bonds	Combined Debt Service
2010	$1,545,850.00	$1,114,244.72	$1,357,883.57	$4,017,978.29
2011	1,638,050.00	172,050.00	1,640,396.26	3,450,496.26
2012	1,730,650.00	139,250.00	1,640,396.26	3,510,296.26
2013	1,833,450.00	127,050.00	1,640,396.26	3,600,896.26
2014	1,950,850.00	134,050.00	1,640,396.26	3,725,296.26
2015	2,066,100.00	145,750.00	1,640,396.26	3,852,246.26
2016	2,187,850.00	157,000.00	1,640,396.26	3,985,246.26
2017	2,320,350.00	167,800.00	1,640,396.26	4,128,546.26
2018	2,462,600.00	171,600.00	1,640,396.26	4,274,596.26
2019	2,608,600.00	--	1,850,396.26	4,458,996.26
2020	2,763,500.00	--	1,923,346.46	4,686,846.46
2021	2,930,250.00	--	2,000,829.36	4,931,079.36
2022	3,102,750.00	--	2,076,891.16	5,179,641.16
2023	3,290,000.00	--	2,161,079.96	5,451,079.96
2024	3,490,000.00	--	2,237,130.06	5,727,130.06
2025	3,700,000.00	--	2,325,056.46	6,025,056.46
2026	3,920,000.00	--	2,411,889.06	6,331,889.06
2027	4,160,000.00	--	2,497,639.66	6,657,639.66
2028	4,410,000.00	--	2,586,569.46	6,996,569.46
2029	4,675,000.00	--	2,682,570.26	7,357,570.26
2030	4,950,000.00	--	2,784,164.46	7,734,164.46
2031	5,250,000.00	--	2,882,686.96	8,132,686.96
2032	5,560,000.00	--	2,988,929.56	8,548,929.56
2033	--	215,000.00	8,386,014.00	8,601,014.00
2034	--	8,895,000.00	--	8,895,000.00
Total	$72,545,850.00	$11,438,794.72	$56,276,246.79	$140,260,891.51

State Budget

The following information concerning the State's budgets has been obtained from publicly available information which the School District believes to be reliable; however, the School District does not guaranty the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the School District. The Bonds are payable solely from the proceeds of an ad valorem *tax required to be levied by the County in an amount sufficient for the payment thereof.*

The 2009 Budget Act. On February 19, 2009, the Legislature passed a series of bills (the "2009 Budget Act") designed as a comprehensive solution to the State's budget deficit, which had been projected to grow to approximately $41.6 billion between fiscal years 2008-09 and 2009-10. On March 13, 2009, the Legislative Analyst's Office (the "LAO") released a report analyzing the provisions of the 2009 Budget Act (the "2009 Budget Act Report"). The following information has been adapted from the 2009 Budget Act Report.

According to the LAO, the 2009 Budget Act is a valid budget for fiscal year 2009-10, adopted nearly five months ahead of the State constitutional budgetary deadline. The 2009 Budget Act, however, contains provisions that are designed to achieve solutions in both fiscal years 2008-09 and 2009-10.

For fiscal year 2008-09, the 2009 Budget Act assumes year-end revenues of approximately $91.7 billion and expenditures of approximately $94.1 billion. The 2009 Budget Act also eliminates the $1.7 billion reserve projected by the 2008-09 Budget, projecting that the State will end fiscal year 2008-09 with a $3.4 billion deficit. For fiscal year 2009-10, the 2009 Budget Act projects total revenues of $97.7 billion and authorizes expenditures of $92.2 billion, allowing the State to build up a $2.1 billion reserve. The LAO generally concurs with the 2009 Budget Act's forecast for year-end 2008-09 revenues. For 2009-10, however, the LAO projects year-end revenues that are approximately $8 billion less than those assumed by the 2009 Budget Act, reflecting recent negative developments in the State's economic condition. Consequently, the LAO projects that the State will end the 2009-10 fiscal year with a $6 billion deficit. The LAO notes the need for additional budgetary solutions in fiscal year 2009-10 beyond those contained in the 2009 Budget Act.

To address the projected $41.6 billion deficit, the 2009 Budget Act includes $15.7 billion in expenditure reductions, $12.5 billion in revenue increases, and $5.4 billion in borrowings. Approximately $6 billion of theses solutions were rejected by the voters at a May 19, 2009 State election. The 2009 Budget Act also projects the receipt of approximately $8.5 billion in stimulus funds from the federal government as part of the American Recovery and Reinvestment Act of 2009 ("ARRA"), signed into law by the President of the United States on February 17, 2009. Of the solutions included in the 2009 Budget Act, approximately $2.8 billion of expenditure reductions and tax increases may not go into effect if the State receives at least $10 billion in combined federal funding pursuant to ARRA during fiscal years 2008-09 and 2009-10.

The 2009 Budget Act includes the following major expenditure reductions:

- *No COLAs.* $1.2 billion in combined spending-related savings for fiscal years 2008-09 and 2009-10 by suspending cost of living adjustments ("COLAs") for various programs, including Supplemental Security Income ("SSI"), State Supplementary Payment ("SSP"), California Work Opportunities and Responsibilities to Kids ("CalWORKs") and Medi-Cal, as well as trial courts and the University of California and California State University systems.

- *Deferred Spending*. The 2009 Budget Act also defers approximately $500 million in costs for expenses the State will face in future years, including approximately $200 million in tribal revenues to the State general fund that would otherwise have been used to pay off prior transportation loans. The 2009 Budget Act also defers approximately $91 million in mandated reimbursements to local governments.

- *Health.* $184 million in savings in fiscal year 2009-10 by eliminating certain optional Medi-Cal benefits and reducing reimbursements rates to public hospitals by 10%. This provision may be rescinded by the receipt of sufficient federal stimulus funds. The 2009 Budget Act also assumes $160 million in savings from reductions to reimbursement rates for developmental health service providers.

- *Social Services.* $74 million in savings in fiscal year 2009-10 for In-Home Supportive Service ("IHSS") expenditures from the reduction of IHSS provider wages, as well as $4 million in savings by eliminating State assistance with Medi-Cal co-payments for new IHSS participants. The 2009 Budget Act also achieves $147 million in savings by reducing CalWORKs grants by 4% and $268 million in savings by reducing SSI/SSP grants by 2.3%. All of these Social Services reductions can be triggered off by the receipt of sufficient federal stimulus funds.

- *Transportation.* $460 million in combined savings in fiscal years 2008-09 and 2009-10 for transportation services expenditures by reducing State funding of the State Transit Assistance program in fiscal year 2008-09 and eliminating such funding in fiscal year 2009-10.

- *Employee Compensation.* $1.2 billion in combined savings for fiscal years 2008-09 and 2009-10, realized primarily from the continued implementation of monthly one and two-day furloughs for State employees.

- *Higher Education Savings*. $232 million in unallocated reductions for higher education funding, as well as an additional $100 million unallocated reduction for fiscal year 2009-10 that may be rescinded by the receipt of sufficient federal stimulus funds.

- *Other Reductions.* The 2009 Budget Act also includes (i) a $171.4 million reduction in judiciary expenditures in fiscal year 2009-10 that may be triggered off by the receipt of sufficient federal stimulus funds, and (ii) $580 million in unspecified correctional services reductions.

The 2009 Budget Act reduces total Proposition 98 funding in fiscal year 2008-09 to $50.7 billion, including $35 billion in State general fund support, and which is approximately $7.3 billion below the level set by the 2008-09 Budget. The bulk of this reduction—approximately $2.4 billion—represents cuts to K-14 programs. Major components of this reduction include (i) $287 million through elimination of the COLA included as part of the 2008-09 budget, (ii) $944 million of K-12 and county office of education revenue limit payments and (iii) $944 million from K-12 categorical programs.

The 2009 Budget Act retires existing Proposition 98 settle-up obligations ($1.1 billion) and uses special funds to directly support the Home-to-School Transportation program ($619 million). The 2009 Budget Act also defers $3.2 billion in K-14 payments to June 2009, of which $320 million is from California community college apportionments. Specifically, monthly apportionment payments for February, March and April of 2008 are deferred to July 2009. These deferrals are in addition to an existing $200 million California community college apportionment that was deferred to October of 2009. Both deferrals are permanent, and will be applied in future fiscal years.

For fiscal year 2009-10, the 2009 Budget Act provides for $54.9 billion in Proposition 98 funding, including $39.5 billion in State general fund support, representing an increase of $4.2 billion from the level set for 2008-09. However, $4.6 billion of this funding will be used to backfill programs for one-time solutions enacted as part of the 2008-09 Budget. To accommodate this backfill, as well as fund $253 million in new growth and baseline adjustments—including $185 million for a 3% growth at California community colleges—the 2009 Budget Act maintains the programmatic cuts set for 2008-09 and makes additional cuts of $702 million to K-12 and child care programs. Specifically, these additional cuts reflect reductions of (i) $268 million to K-12 and county office of education revenue limit payments, (ii) $268 million to K-12 categorical programs, (iii) $53 million to reimbursement rates and family fees for child care providers and (iv) $114 million through elimination of the High Priority Schools Grant Program.

As mentioned above, the 2009 Budget Act assumes an additional $12.5 billion in revenues, including $1.5 billion in fiscal year 2008-09 and $11 billion in fiscal year 2009-10, through the enactment of the following major revenue and borrowing solutions:

- *Sales Tax.* $5.8 billion from a temporary one-cent increase in the State sales tax, including $1.2 billion of additional revenue for fiscal year 2008-09 and $4.6 billion of such revenues for fiscal year 2009-10. The increased tax becomes effective April 1, 2009 and is set to lapse on July 1, 2011.

- *Vehicle License Fees.* $2 billion from a temporary increase in vehicle license fees, including $346 million in additional revenues for fiscal year 2008-09 and $1.7 billion of such revenues in fiscal year 2009-10. This increase is set to lapse on July 1, 2011.

- *Personal Income Tax*. $1.8 billion from a temporary increase of 0.125% in each personal income tax rate. The 2009 Budget Act also provides for $1.8 billion from an additional personal income tax increase of 0.125% that may be rescinded if sufficient federal stimulus funds are received. This tax increase is set to lapse after tax year 2010.

- *Reduction of Dependent Tax Credit.* $1.4 billion from a temporary reduction in the value of dependent credit for income tax purposes. This reduction is set to lapse after tax year 2010.

- *Borrowing.* The 2009 Budget Act provides for $328 million in borrowing from various State special funds.

Additional information regarding the 2009 Budget Act is available from the LAO's website: www.lao.ca.gov.

Amendments to 2009 Budget Act. On July 28, 2009, the Governor signed into law a series of amendments to the 2009 Budget Act (the "2009 Budget Amendments"). The following information has been adapted from both the Department of Finance and LAO reports on the 2009 Budget Amendments.

The 2009 Budget Amendments are designed to address the State's budget deficit, which grew to approximately $60 billion since the adoption of the 2009 Budget Act. As a result of the deteriorating state and national economies, the 2009 Budget Amendments lower projected State general fund revenues for fiscal year 2009-10 by $3 billion. Further, the 2009 Budget Amendments project $89.5 billion of

State general fund revenues and authorize $84.6 billion of expenditures. The State is now expected to end the 2009-10 fiscal year with a $500 million reserve.

The 2009 Budget Amendments include measures for both fiscal year 2008-09 and 2009-10, and are in addition to those implemented as part of the 2009 Budget Act. Specifically, the 2009 Budget Amendments include $18 billion in expenditure reductions, $3.5 billion in revenue increases, and $2.2 billion in borrowings. The LAO notes that year-to-year comparisons of revenues and expenditures are difficult due to the variety of one-time solutions.

The 2009 Budget Amendments include the following major features. In formulating many of the expenditure reductions, the Department of Finance notes that State general fund costs would be significantly higher but for the receipt of federal stimulus funding:

- *K-14 Education*. For fiscal years 2008-09 and 2009-10, total reductions of $6.1 billion in Proposition 98 funding, as further discussed herein. These reductions have been partially offset by the receipt of federal stimulus funds—including $2.8 billion pursuant to ARRA—for fiscal years 2008-09 and 2009-10. The State expects to maintain the minimum spending levels required for the continued receipt of ARRA stimulus funds.

- *Higher Education*. For fiscal years 2008-09 and 2009-10, reductions of $1 billion for each of the University of California ("UC") and California State University ("CSU") systems. When combined with the reductions approved as part of the 2009 Budget Act, and factoring in the receipt of federal stimulus funds and new fee revenues, the UC and CSU systems have experienced an 8% cut in base funding.

- *Student Fees.* The 2009 Budget Amendments authorize an increase of enrollment fees at California community colleges by $6 per unit, which is expected to generate $80 million in additional revenue. Student fees are also increased in the UC and CSU systems by 9.3% and 32%, respectively. These increases are expected to generate $166 million and $366 million, respectively, in additional revenues.

- *Cal Grant.* The 2009 Budget Amendments fully fund Cal Grant programs for fiscal year 2009-10, and reduce State general fund expenditures by $32 million by borrowing a like amount from the Student Loan Operating Fund.

- *Proposition 1A Suspension.* The 2009 Budget Amendments authorize the borrowing of $1.9 billion from city, county and special district property taxes pursuant to Proposition 1A. These funds will be shifted to county-level supplemental revenue augmentation funds and used to fund judicial, correctional, Medi-Cal and education expenses otherwise borne by the State general fund. These funds must be repaid with interest by June 30, 2013. To alleviate the impact on local governments, the enabling legislation authorizes the creation of joint powers authorities to issue bonds against the State's repayment obligation.

- *Redevelopment Shift*. The 2009 Budget Amendments require $1.7 billion to be shifted from redevelopment agency revenues in fiscal year 2009-10, and $350 million in fiscal year 2010-11. These revenues will be used to fund courts, prisons, the Medi-Cal system, as well as offset reduced State general fund Proposition 98 funding.

- *Corrections/Rehabilitation.* $788 million in fiscal year 2009-10 reductions to the California Department of Corrections and Rehabilitation resulting from a combination of operational savings, program reductions, and policy reforms. When added to the reductions approved by the 2009 Budget Act, total reductions are approximately $1.2 billion. The 2009 Budget Amendments also assume $50 million in savings from limiting reimbursement rates paid to private contractors providing health care to inmates outside of prison.

- *Medi-Cal.* The 2009 Budget Amendments assume $1 billion in State general fund savings from the receipt of federal funds that were either past due or authorized through federal waivers. The 2009 Budget Amendments also assume unspecified reductions to the Medi-Cal program amounting to approximately $323 million. The LAO notes that the manner in which these savings would be achieved has not been determined.

- *Supplemental Security Income/State Supplementary Payment.* $108 million in reductions to SSI/SSP program for fiscal year 2009-10 by reducing grants for individuals by $5 per month and grants for couples to $72 per month.

- *CalWORKs.* $510 million in reductions to the CalWORKs program for fiscal year 2009-10, primarily from a reduction in county block grant allocations for welfare-to-work and child care services.

- *In Home Supportive Services (IHSS).* $264 million in reductions for IHSS expenditures for fiscal year 2009-10 consisting primarily of (i) reforms designed to reduce or prevent fraud, (ii) elimination of the State's share-of-cost contribution, and (iii) eliminating or reducing domestic and related services for all but the most severely disabled recipients.

- *Regional Center and Developmental Center Programs.* $284 million in reductions for developmental services in fiscal year 2009-10. The bulk of the expected savings consist of a $234 million cost containment target set for the statewide developmental services system. The Department of Finance notes that proposals are being developed by the Legislature to achieve this savings.

- *COLAs.* The 2009 Budget Amendments eliminate automatic COLAs for the CalWORKs and SSI/SSP programs, beginning in fiscal year 2010-11. COLAs for long-term care providers, including skilled nursing facilities, are frozen, resulting in a reduction of $76 million in State general fund expenditures.

- *Transportation.* The 2009 Budget Act includes several fund shifts and borrowings related to transportation funding, including (i) the use of $562 million in spillover gasoline sales tax revenues from 2009-10 to reimburse the State general fund for regional center transportation and debt service funding, (ii) redirection of $225 million in Public Transportation Account funds for regional center transportation and debt service funding, (iii) an interfund loan of $135 million from the State Highway Account to the State general fund, which loan must be repaid with interest in three years, and (iv) transfer of $70 million in unrestricted motor vehicle account revenues to the State general fund.

- *Resources and Environmental Protection*. The 2009 Budget Amendments include $14 million in reductions to State general fund support for State park operations, as well as $62 million in loans from resource-related special funds to the State general fund.

- *State Operations*. The 2009 Budget Amendments include a series of expenditure reductions related to State operations, including (i) the deferral of $900 million in State employee paychecks to the next fiscal year by moving the June 30, 2010 payday to July 1, 2010, (ii) the imposition of a third monthly furlough day for certain State employees, which the 2009 Budget Amendments assume will yield $425 million in savings, (iii) $100 million in reductions to information technology budgets, (iv) $50 million in assumed savings from the consolidation, reorganization or elimination of various State boards and committees; and (v) $150 in assumed savings from changes in PERS (defined herein) rates and fees.

- *Other Reductions*. Other reductions include (i) $168.6 million in fiscal year 2009-10 for State trial courts, (ii) $178.6 million in fiscal year 2009-10 for the Healthy Families Program.

- *Revenue Increases.* The 2009 Budget Amendments include the following measures designed to increase State revenues: (i) an increase of 10% in the State wage withholding, effective as of October 1, 2009, which is expected to increase revenues by $1.7 billion in fiscal year 2009-10, (ii) alteration to the amount of estimated taxes that individuals and corporations must submit to the State each quarter that is expected to increase revenues by $610 million in fiscal year 2009-10, and (iii) the sale of a portion of the State Compensation Insurance Fund which is expected to yield increased revenues of $1 billion in fiscal year 2009-10.

- *Gubernatorial Vetoes*. Prior to signing the 2009 Budget Amendments, the Governor used his veto power to further reduce expenditures. These vetoes included (i) $6 million in financial aid administration for the Cal Grant program, (ii) $80 million in county funding for child welfare services, (iii) virtually all funding for the Williamson Act Open Space program, (iv) $55 million of departmental funding for certain scheduled pay increases, (v) $50 million for developmental services funding, and (vi) $300 million in healthcare spending. Representatives of groups affected by these reductions have publicly expressed their intent to judicially challenge the Governor's veto power over these expenditures.

The 2009 Budget Amendments reduce Proposition 98 funding to $49.1 billion in fiscal year 2008-09, a change of $1.6 billion from the levels set by the 2009 Budget Act. This reduction is achieved primarily by reverting unallocated categorical programs funding that had not been distributed at the end of the 2008-09 fiscal year to the State general fund. The 2009 Budget Amendments also create a future funding obligation, or "maintenance factor," of $11.2 billion as a result of the reductions in Proposition 98 funding for fiscal year 2008-09. Payments with respect to this funding obligation will be required in future fiscal years until repaid in full.

For fiscal year 2009-10, the 2009 Budget Amendments reduce Proposition 98 funding to $50.4 billion, a change of $4.5 billion from the funding levels set by the 2009 Budget Act. This figure reflects a total reduction in Proposition 98 funding of $5.3 billion, which is offset by $850 million in redevelopment revenues shifted from certain State agencies, as discussed above. The bulk of this reduction consists primarily of (i) $2.1 billion in reductions to school district and county office of education revenue limit payments, (ii) $80 million in reductions to basic aid school district categorical programs, (iii) $580 million in reductions to ongoing California community college funding, and (iv) a deferral of $1.7 billion in school district revenue limit payments and $115 million community college apportionments from the 2009-10 fiscal year to August of the 2010-11 fiscal year. As a cash management measure, the 2009 Budget Amendments also defer approximately $2 billion in K-12 school district apportionments from the first few months of the 2009-10 fiscal year to December 2009 and January 2010.

Additional information regarding the 2009 Budget Amendments may be obtained from the Department of Finance at www.dof.ca.gov and from the LAO at www.lao.ca.gov.

Future Actions. The School 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 School District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. Continued State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the Improvement Districts or the School District.

TAX MATTERS

Series B Bonds

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Series B Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Series B Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Series B Bonds is not included as an adjustment in the calculation of alternative minimum taxable income.

The difference between the issue price of a Series B Bond (the first price at which a substantial amount of the Series B Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series B Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series B Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Series B Bond Owner will increase the Series B Bond Owner's basis in the Series B Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Series B Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Series B Bonds is based upon certain representations of fact and certifications made by the School District and others and is subject to the condition that the School District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Series B Bonds to assure that interest (and original issue discount) on the Series B Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Series B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series B Bonds. The School District has covenanted to comply with all such requirements.

The amount by which a Series B Bond Owner's original basis for determining loss on sale or exchange in the applicable Series B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Series B Bond premium, which must be amortized under Section 171 of the Code; such amortizable Series B Bond premium reduces the Series B Bond Owner's basis in the applicable Series B Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Series B Bond premium may result in a Series B Bond Owner realizing a taxable gain when a Series B Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series B Bond to the Owner. Purchasers of the Series B Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Series B Bond premium.

The IRS has initiated an expanded program for the auditing of tax-exempt Series B Bond issues, including both random and targeted audits. It is possible that the Series B Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series B Bonds might be affected as a result of such an audit of the Series B Bonds (or by an audit of similar Series B Bonds).

It is possible that subsequent to the issuance of the Series B Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Series B Bonds or the market value of the Series B Bonds. No assurance can be given that subsequent to the issuance of the Series B Bonds such changes or interpretations will not occur.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Series B Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Series B Bonds for federal income tax purposes with respect to any Series B Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Series B Bonds is excluded from gross income for federal income tax purposes provided that the School District continues to comply with certain requirements of the Code, the ownership of the Series B Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Series B Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series B Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series B Bonds.

The proposed forms of opinions of Bond Counsel for the Series B Bonds are included in Appendices D and E hereto.

Series B-1 Bonds

The School District has elected to issue the Series B-1 Bonds for purposes of Section 54AA of the Code.

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Series B-1 Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Series B-1 Bond (the first price at which a substantial amount of the Series B-1 Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series B-1 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Series B-1 Bond Owner will increase the Series B-1 Bond Owner's basis in the Series B-1 Bond.

The federal tax and State of California personal income tax discussion set forth above is included for general information only and may not be applicable depending upon an owner's particular situation. The ownership and disposal of the Series B-1 Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Series B-1 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Any federal tax advice contained herein is not intended or written to be used, and it cannot be used, for the purpose of (i) avoiding penalties under the Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein with respect to the Series B-1 Bonds. Accordingly, before purchasing any of the Series B-1 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series B-1 Bonds.

The proposed forms of opinions of Bond Counsel for the Series B-1 Bonds are included in Appendices D and E hereto.

LEGAL MATTERS

Continuing Disclosure

The School District has covenanted for the benefit of holders and Beneficial Owners of the Improvement District No. 3 Bonds and the Improvement District No. 4 Bonds to provide certain financial information and operating data relating to the School District and the respective Improvement Districts (each an "Annual Report") by not later than eight months following the end of the School District's fiscal years (which shall be March 1 of each year, so long as the School District's fiscal year ends on June 30), commencing with the report for the 2008-09 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Reports and notices of material events will be filed by the School District with the Municipal Securities Rulemaking Board. The specific nature of the information to be made available and to be contained in the notices of material events is summarized under the captions "APPENDIX F – Form of Continuing Disclosure Certificate for Improvement District No. 3" and "APPENDIX G – Form of Continuing Disclosure Certificate for Improvement District No. 4" These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The School District is currently in compliance with all prior continuing disclosure obligations.

Legality for Investment in California

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

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate or certificates to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The School District is not aware of any litigation pending or threatened questioning the political existence of the Improvement Districts or the School District or contesting the Improvement Districts' ability to levy *ad valorem* taxes for payment of the Bonds or contesting the School District's ability to request the issuance the Bonds.

New Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 (the "TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any Owner who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Financial Statements

Excerpts from the financial statements with supplemental information for the year ended June 30, 2008, the independent auditor's report of the School District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 12, 2008 of Perry & Smith, LLP, independent accountants (the "Auditor"), are included in this Official Statement as Appendix B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix B to this Official Statement, the School District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Certain Legal Matters

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

RATINGS

Standard & Poor's, a Division of the McGraw-Hill Companies ("S&P") and Moody's Investor's Service ("Moody's") have assigned ratings of "AAA (Negative)" and "Aa3 (Under review for possible downgrade)," respectively, to the Bonds, based upon the issuance by Assured Guaranty of its Policy with respect to the Bonds. S&P has also assigned underlying ratings of "A" to the Improvement District No. 3 Bonds and "A+" to the Improvement District No. 4 Bonds. Moody's has also assigned underlying ratings of "A3" to the Improvement District No. 3 Bonds and "A2" to the Improvement District No. 4 Bonds.

Such ratings reflect only the views of S&P and Moody's and any desired explanation of the significance of such ratings should be obtained from S&P and Moody's, at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007 and Standard & Poor's, a Division of The McGraw-Hill Companies, 55 Water Street, 45th Floor, New York, NY 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

UNDERWRITING

The Improvement District No. 3 Bonds are being purchased by Stone & Youngberg LLC (the "Underwriter") pursuant to a purchase contract by and among the School District, the County and the Underwriter, at a purchase price of $10,804,029.34 (reflecting the principal amount of the Improvement District No. 3 Series B Bonds, plus original issue premium of $956,056.40, less an Underwriter's discount of $186,568.45, and less $515,684.16 of original issue premium to be retained by the Underwriter to pay other costs of issuance of the Improvement District No. 3 Bonds). Pursuant to such purchase contract, the Underwriter shall purchase the Improvement District No. 3 Series B-1 Bonds at a purchase price of $8,501,075.50 (reflecting the principal amount of the Improvement District No. 3 Series B-1 Bonds, less original issue discount of $83,924.50).

The Improvement District No. 4 Bonds are being purchased by the Underwriter pursuant to a purchase contract by and among the School District, the County and the Underwriter, at a purchase price of $3,103,884.89 (reflecting the principal amount of the Improvement District No. 4 Series B Bonds, plus original issue premium of $1,174,266.35, less an Underwriter's discount of $206,279.91, and less $492,727.20 of original issue premium to be retained by the Underwriter to pay other costs of issuance of the Improvement District No. 4 Bonds). Pursuant to such purchase contract, the Underwriter shall purchase the Improvement District No. 4 Series B-1 Bonds at a purchase price of $22,375,000.00, reflecting the principal amount thereof.

The respective purchase contracts for the Improvement District No. 3 Bonds and the Improvement District No. 4 Bonds provide that the Underwriter will purchase all of the applicable Bonds if any are purchased, the obligations to make such purchases being subject to certain terms and conditions set forth in said agreements, the approval of certain legal matters by Bond Counsel, and certain other conditions.

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

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Bond Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Some of the data contained herein has been taken or constructed from District records. Appropriate officials of the Improvement Districts and the School District, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the School District's Board of Education.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
School Facilities Improvement District No. 3
School Facilities Improvement District No. 4

By /s/ Deborah Bettencourt
Deputy Superintendent/Chief Financial Officer
of the School District

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APPENDIX A

VICINITY OF THE IMPROVEMENT DISTRICTS AND THE SCHOOL DISTRICT – LOCATION MAP

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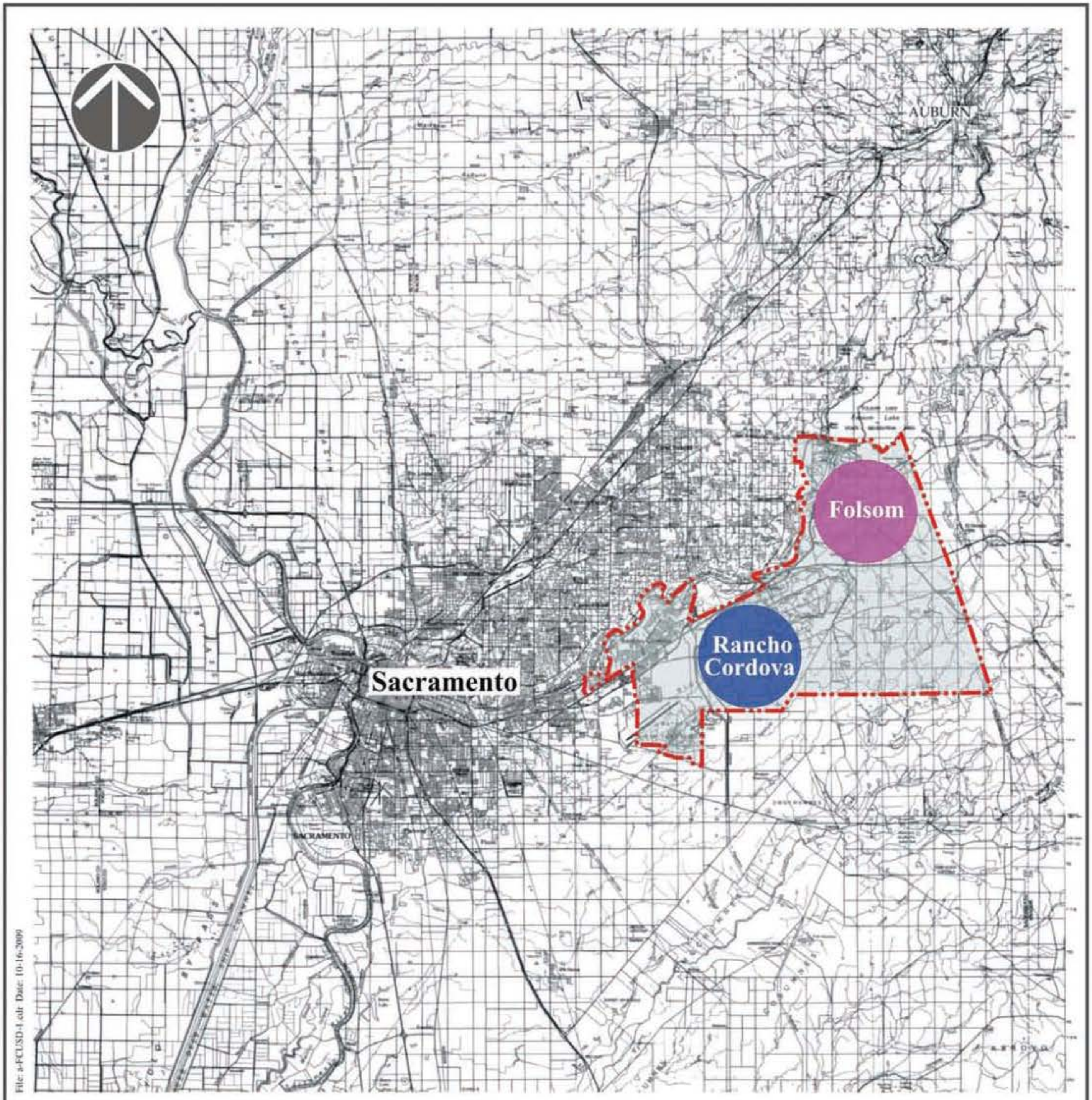
School District Boundary

Folsom Cordova Unified School District

October 2009

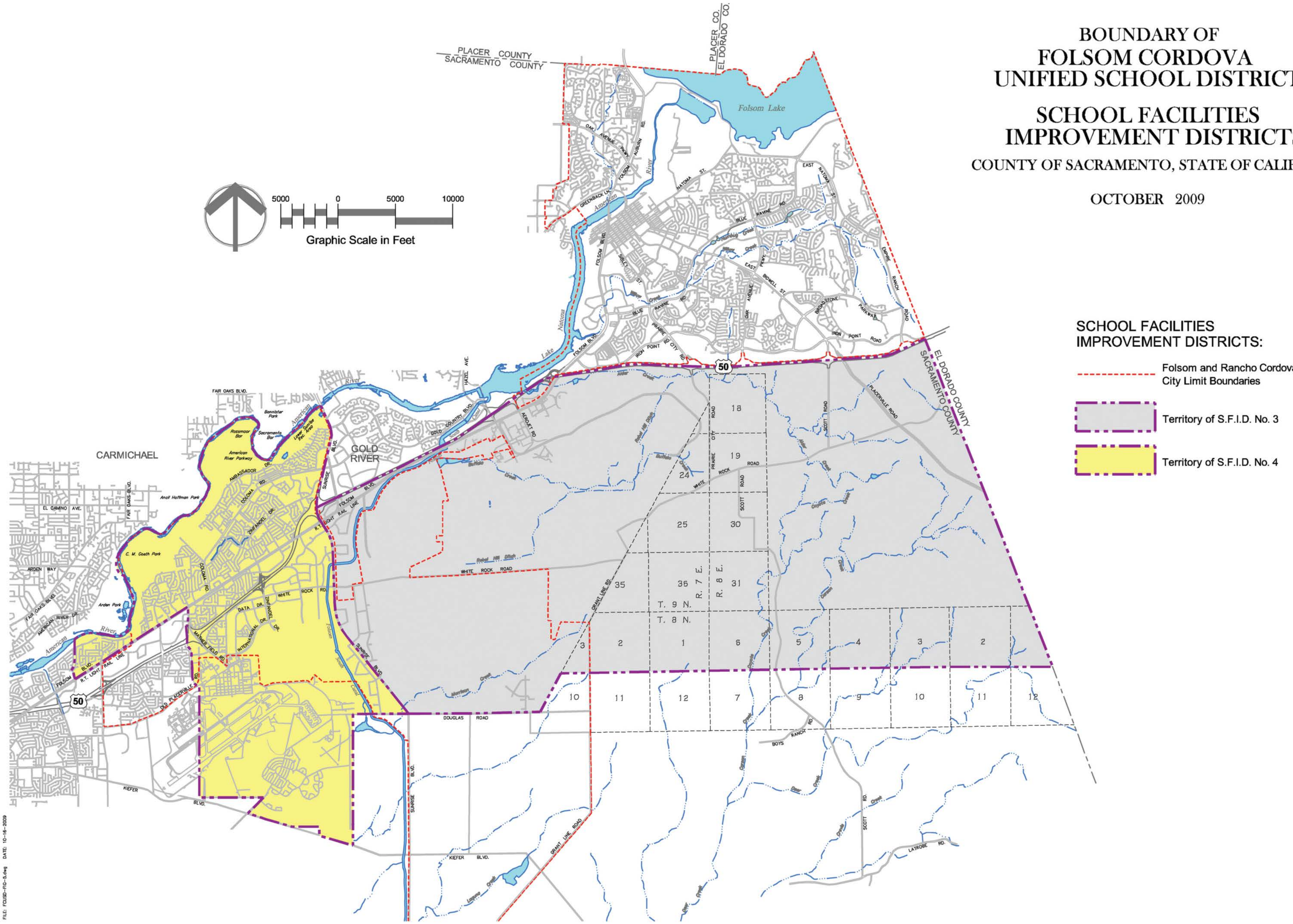


BOUNDARY OF
FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

SCHOOL FACILITIES IMPROVEMENT DISTRICTS

COUNTY OF SACRAMENTO, STATE OF CALIFORNIA

OCTOBER 2009



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BOUNDARY OF
FOLSOM CORDOVA
UNIFIED SCHOOL DISTRICT

SCHOOL FACILITIES
IMPROVEMENT DISTRICT NO. 3

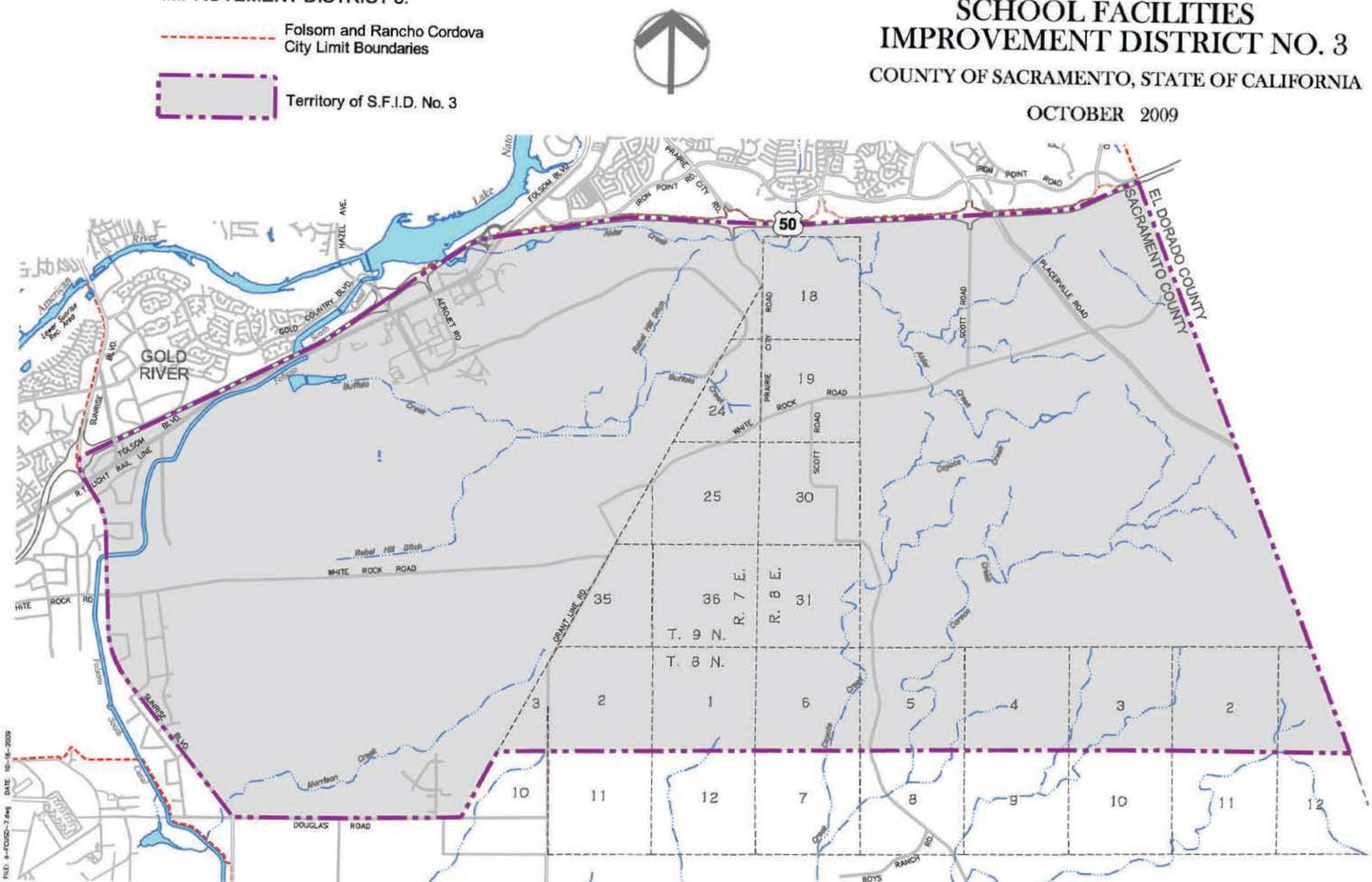
COUNTY OF SACRAMENTO, STATE OF CALIFORNIA

OCTOBER 2009

SCHOOL FACILITIES
IMPROVEMENT DISTRICT 3:

Folsom and Rancho Cordova City Limit Boundaries

Territory of S.F.I.D. No. 3

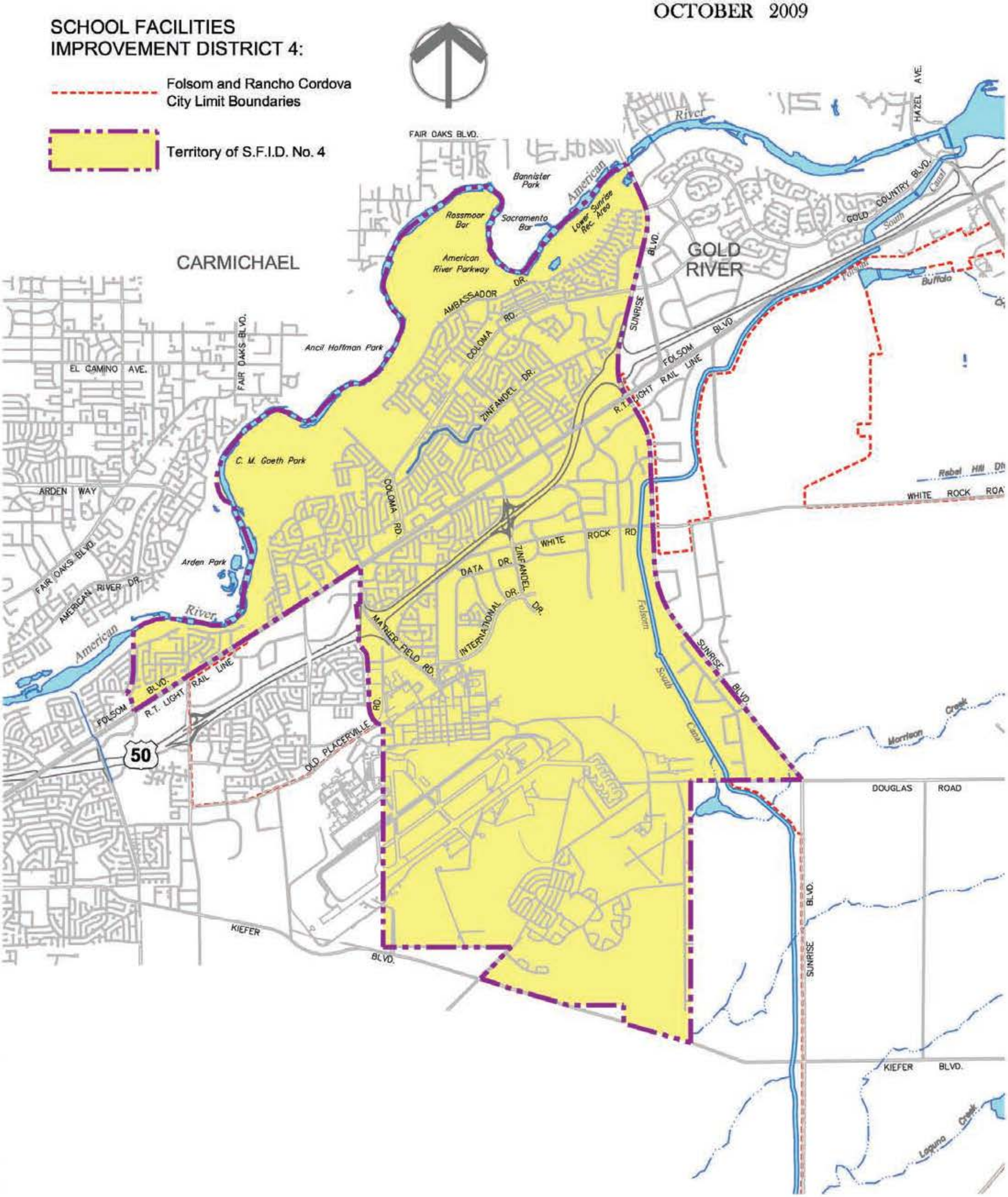


BOUNDARY OF
FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 4

COUNTY OF SACRAMENTO, STATE OF CALIFORNIA

OCTOBER 2009



APPENDIX B

EXCERPTS FROM THE 2007-08 AUDITED FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT

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FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

COUNTY OF SACRAMENTO

FOLSOM, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

AND

INDEPENDENT AUDITOR'S REPORT

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FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2008

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(Continued)

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PERRY-SMITH LLP
ACCOUNTANTS

400 Capitol Mall, Suite 1200
Sacramento, CA 95814
www.perry-smith.com
916.441.1000

INDEPENDENT AUDITOR'S REPORT

Board of Education
Folsom Cordova Unified School District
Folsom, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Folsom Cordova Unified School District, as of and for the year ended June 30, 2008, which collectively comprise Folsom Cordova Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Folsom Cordova Unified School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008 on our consideration of Folsom Oordova Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise Folsom Cordova Unified School District's basic financial statements. The accompanying financial and statistical information listed in the Table of Contents, including the Schedule of Expenditure of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Folsom Cordova Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Perry - Smith LLP

Sacramento, California
December 12, 2008

Management Discussion & Analysis

The Management Discussion and Analysis Section of the audit is management's view of the District's financial condition, and provides an opportunity to discuss important fiscal issues with the board and the public. New accounting rules require this discussion and analysis, which makes reporting of finances similar to that of private business.

Financial Reports

Two financial reports are included in the audit this year, the Statement of Net Assets and the Statement of Activities, which begin on page 10. These two statements report the District-wide financial condition and activities. The individual fund statements which focus on reporting the District's operations in more detail begin on page 12.

Overview of the Financial Statements

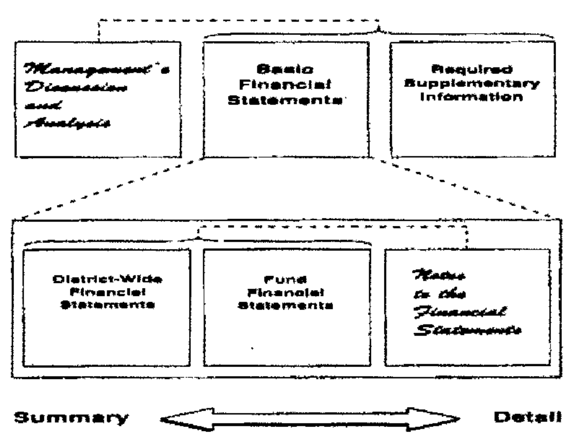
This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-1. Organization of Folsom Cordova USD Annual Financial Report



District-wide Statements

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-wide	Fund Statements: Governmental Funds	Fund Statements: Proprietary Funds	Fund Statements: Fiduciary Funds
Scope	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	•statement of net assets •statement of activities	•balance sheet •statement of revenues, expenditures & changes in fund balances	•statement of net assets •statement of revenues, expenses & changes in fund net assets •statement of cash flows	•statement of fiduciary net assets •statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; Standard's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

In the district-wide financial statements the District's activities are divided into two categories:

- *Governmental activities*—Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*—The District charges fees to help it cover the costs of certain services it provides. The District's adult education programs and food services are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed ***short-term*** view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
- In fact, the District's *enterprise fund* (one type of proprietary fund) is the same as its business-type activities, but provides more detail and additional information, such as cash flows.
- *Fiduciary funds*—The District is the trustee, or *fiduciary,* for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Statement of Net Assets
Beginning in fiscal year 2001-2002, the district accounted for the value of fixed assets and included these values as part of the financial statements. Listed below is the value of all assets including buildings, land and equipment. Depreciation is included.

	All Funds Governmental Activities		Percentage Change
	2007	2008	2007-2008
Current and other assets	87,405,347	111,691,236	
Capital assets	351,940,604	392,215,778	
Total assets	439,345,951	503,907,014	14.7%
Long-term debt outstanding	154,593,978	223,953,844	
Other liabilities	16,444,599	7,827,423	
Total liabilities	171,038,577	231,781,267	35.5%
Invested in capital assets, net of related debt	218,769,638	235,549,802	
Restricted	71,496,703	46,576,213	
Unrestricted	-21,958,964	-10,000,268	
Total net assets	268,307,374	272,125,747	1.4%

Land is accounted for at purchase value, not market value, and is not depreciated. Many of our school sites have low values for today's market because the district acquired the land many decades ago. We have determined the value of school buildings to be the depreciated cost of modernization unless the building is less than 25 years old. For newer buildings, the value is the construction cost less depreciation. Increases in assets and liabilities are due to construction of buildings and new bonds that have been issued.

Financial Condition of General Fund

Folsom Cordova Unified School District continues to maintain its solid financial condition. Ending fund balance decreased due to expenditures of one-time block grant revenue received in 2006-07. The following table summarizes operational fund financial statements:

	General Fund		Percentage Change
	2007	2008	2007-2008
Total Revenues	143,646,403	148,002,816	3.0%
Expenses	137,334,160	147,548,033	7.4%
Other financing sources/uses	-1,439,953	-1,235,724	-1.4%
Change in fund balance	4,872,290	-780,941	-116.0%

Future good financial performance will depend on management's ability to continue to control expenses and maintain revenues.

Capital Assets

At year-end, the district has invested $51,191,450 in modernization and new construction from the following combined sources for 2007-08. This represents a 45.8% decrease over last year's amount of $91,787,165.

	All Funds		Percentage Change
	2007	2008	2007-2008
Land	43,710,589	43,934,545	
Improvement of sites	14,704,098	14,744,876	
Buildings	199,459,499	209,809,320	
Equipment	14,701,723	15,756,888	
Work-in-process	166,478,742	206,000,472	
Total	439,054,651	490,246,101	11.7%

District Indebtedness

At year-end, the District has incurred $223,953,844 of long-term debt. Of that, $168,005,856 is General Obligation Bonds secured by property tax increases voted on by local residents. In January 2007, the District issued $35.8 million in Certificates of Participation for new school construction projects in Folsom. In October 2007, the District sold $64 million in bonds for SFID #3 (Measure M) and SFID #4 (Measure N). Proceeds from Measure M will be used to acquire land and construct new facilities. Proceeds from Measure N will fund a wide variety of projects throughout the existing campuses in Rancho Cordova.

	Governmental Activities		Percentage Change
	2007	2008	2007-2008
Compensated absences	847,744	878,414	
Certificates of participation	37,962,349	36,052,349	
General obligation bonds	104,035,311	168,005,856	
Post-employment medical benefits	19,506,409	19,017,225	
Total	162,351,813	223,953,844	37.9%

Cost of Governmental Services

At year-end, the District's General Fund cost of operation was $147,548,033. Total district expenditures were $11,014,002 more than the previous year due to increases in the cost of instruction.

	General Fund 2007	General Fund 2008	Percentage Change 2007-2008
Instruction	104,558,320	111,180,801	
Pupil services	10,218,497	11,548,189	
Ancillary services	1,584,280	2,267,238	
General Administration	6,416,922	6,922,639	
Plant Services	12,859,415	14,050,524	
Other Outgo	1,696,726	1,578,642	
Total	137,334,160	147,548,033	7.44 %

Budget to Actual Analysis

The district develops its budget pursuant to the Governor's proposals. Throughout the year the budget is adjusted primarily due to new or adjusted funding levels. A comparison of the General Fund Budget to Actual Revenues and Expenditures is as follows:

	Estimated June 2008	Actual 2008	Percentage Variance
Revenues			
Revenue Limit	105,241,491	105,280,119	
Federal Revenues	9,901,514	9,267,764	
State Revenues	22,055,396	21,309,676	
Local Revenues	11,732,246	12,145,257	
Total Revenues	148,930,647	148,002,816	-0.6%
Expenditures			
Salaries & Benefits	129,098,716	124,719,252	
Books & Supplies	12,413,784	7,631,943	
Services & Other Operating	13,635,663	13,389,395	
Capital Outlay/Other Outgo	1,199,056	1,807,443	
Total Expenditures	156,347,219	147,548,033	-5.6%

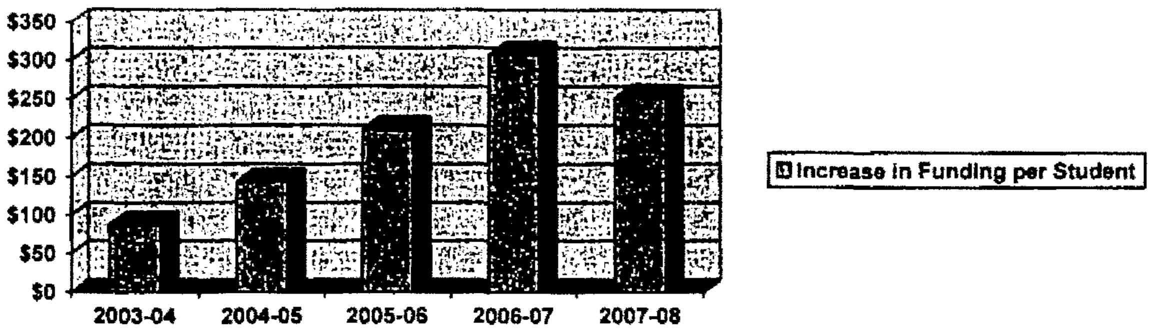
Total budgeted revenues were $927,831 more than actual revenues received. Federal revenues were lower than budgeted due to revenue deferred into 2008-09. State revenues received were lower than budgeted due to revenue received from one-time grants in the prior year. Total expenditures were $8,799,186 less than budgeted due to higher than expected carryovers in federal and state grants, one-time state block grants, and school site and department operating budgets.

Financial Issues

Per Pupil Funding

The state of California has been experiencing a moderate but slowing economic growth causing concern for future funding sources. State School funding grew at a moderate pace even as state revenues weakened. The table below shows a five year trend in state school funding.

Increase in Per Pupil Funding



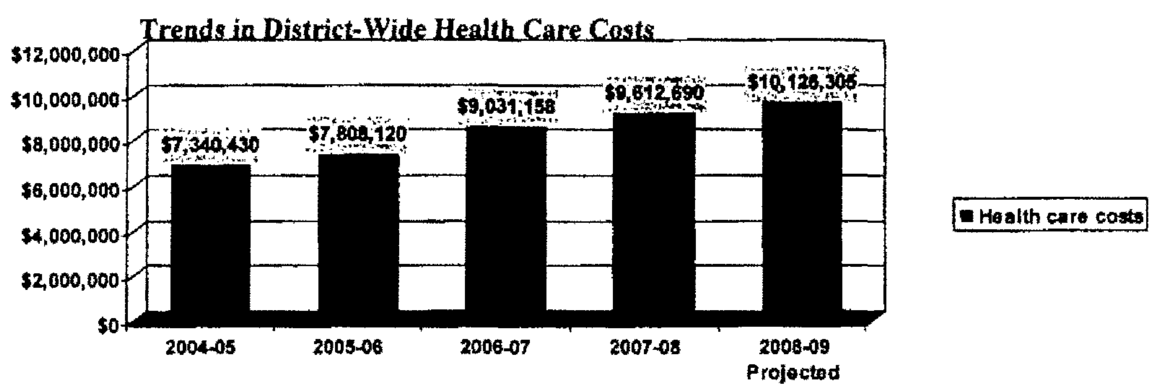
State Budget Shortfall

The state borrowed significant funds to continue reduced spending levels. The state deferred paying for certain school programs until after July 1, 2008.

Program	Apportionments for Folsom Cordova USD	Dollar Amount Deferred for Folsom Cordova USD
School Safety and Violence Prevention	$ .28 million	$ .10 million
Home-to-School & Special Ed Transportation	$ 1.18 million	$ .07 million
GATE	$ .16 million	$ .01 million
P-2 Apportionments (including hourly programs and Community Day)		$ 4.4 million
Total Amount of Apportionments Delayed Until 2008-09		$ 4.58 million

Health Care Cost Trends

District-Wide Health Care costs have been growing and continue to do so in this budget year. The 5% annual increase is due to increased costs for medical premiums, additional benefits for new teachers, and a negotiated increase in cap amounts. The graph below shows the trends:



Categorical Funding

As school revenues increased during the boom times of the late 1990's, the funds came to schools with strings attached. As we move into constrained economic times, we find these constraints make it difficult to maintain our basic programs. Some flexibility in these programs would help us adjust to the economic downturn.

As state revenue growth declines, health care costs rise and categorical programs take a larger share of state revenue, district management must vigorously pursue three major courses of action:

1. Control health care costs
2. Develop a legislative agenda which will allow greater flexibility in the expenditure of state categorical funds for core educational programs.
3. Work with Education Coalition to increase funding to School Districts to at least the national average.

Contacting the District's Financial Management

If you have questions regarding this report or need additional financial information, contact Rhonda Crawford, Director of Fiscal Services, (916) 355-1111, ext. 132.

Approved by: ______________________________

Debbie Bettencourt, Deputy Superintendent/CFO
Business Services (916) 355-1111, ext. 114

BASIC FINANCIAL STATEMENTS

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	$ 96,293,963	$ 440,749	$ 96,734,712
Accounts receivable	14,652,890	565,128	15,218,018
Due from (to) other funds (Note 3)	21,324	(21,324)	
Prepaid expenditures	710,328	2,177	712,505
Stores inventory	12,731		12,731
Capital assets, net of accumulated depreciation (Note 4)	392,215,778		392,215,778
Total assets	503,907,014	986,730	504,893,744
LIABILITIES			
Accounts payable	7,550,889	40,640	7,591,529
Deferred revenue	276,534		276,534
Long-term liabilities (Note 5):			
Due within one year	7,775,000		7,775,000
Due after one year	216,178,844		216,178,844
Total liabilities	231,781,267	40,640	231,821,907
NET ASSETS			
Invested in capital assets, net of related debt	235,549,802		235,549,802
Restricted (Note 6)	46,576,213	946,090	47,522,303
Unrestricted	(10,000,268)		(10,000,268)
Total net assets	$ 272,125,747	$ 946,090	$ 273,071,837

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities (Note 4):							
Instruction	$ 106,411,798	$ 317,551	$ 19,223,725	$ 12,529,137	$ (74,341,385)		$ (74,341,385)
Instruction-related services:							
Supervision of instruction	5,180,955	5,957	3,004,488		(2,170,510)		(2,170,510)
Instructional library, media and technology	767,949		17,634		(750,315)		(750,315)
School site administration	11,949,229	117,717	919,273		(10,912,239)		(10,912,239)
Pupil services:							
Home-to-school transportation	4,530,381	239,978	1,451,437		(2,838,966)		(2,838,966)
Food services	4,461,827	1,619,735	2,767,411		(74,681)		(74,681)
All other pupil services	7,002,715	14,352	1,892,524		(5,095,839)		(5,095,839)
General administration:							
Data processing	1,807,754				(1,807,754)		(1,807,754)
All other general administration	6,137,620	109,681	2,190,430		(3,837,509)		(3,837,509)
Plant services	14,963,832	47,356	1,793,366		(13,123,110)		(13,123,110)
Ancillary services	2,231,075	3,642	1,078,655		(1,148,778)		(1,148,778)
Enterprise activities	(7,177)		9,000		16,177		16,177
Interest on long-term liabilities	8,436,723				(8,436,723)		(8,436,723)
Other outgo	1,347,128	151,408	633,282		(562,438)		(562,438)
Business-type activities:							
Enterprise activities	1,922,033					$ (1,922,033)	(1,922,033)
Total governmental and business-type activities	$ 177,143,842	$ 2,627,377	$ 34,981,225	$ 12,529,137	(125,084,070)	(1,922,033)	(127,006,103)
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					41,624,727		41,624,727
Taxes levied for debt service					9,984,743		9,984,743
Taxes levied for other specific purposes					187,006		187,006
Federal and state aid not restricted to specific purposes					73,638,262		73,638,262
Interest and investment earnings					3,366,455	17,617	3,384,072
Interagency revenues					12,938		12,938
Transfers					180,941	(180,941)	
Miscellaneous					7,665,206	2,372,575	10,037,781
Total general revenues					138,660,278	2,209,251	138,869,529
Change in net assets					11,576,208	287,218	11,863,426
Net assets, July 1, 2007, as previously reported					268,307,374	658,872	268,966,246
Restatement of net assets (Note 10)					(7,757,835)		(7,757,835)
Net assets, July 1, 2007, as restated					260,549,539	658,872	261,208,411
Net assets, June 30, 2008					$ 272,125,747	$ 946,090	$ 273,071,837

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	Capital Facilities Fund	Building Fund	County School Facilities Fund	All Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and investments:						
Cash in County Treasury	$ 12,804,492	$ 6,236,717	$ 10,367,935	$ 63,043	$ 19,978,180	$ 49,450,367
Cash on hand and in banks	280				5,000	5,280
Cash in revolving fund	75,000					75,000
Cash with Fiscal Agent			46,272,733		490,583	46,763,316
Accounts receivable	11,456,415	1,226,610	270,616	60	1,645,302	14,599,003
Due from other funds	194,322	8,269,472	28,109	10,299,028	446,060	19,236,991
Prepaid expenditures	17,300					17,300
Stores inventory					12,731	12,731
Total assets	$ 24,547,809	$ 15,732,799	$ 56,939,393	$ 10,362,131	$ 22,577,856	$ 130,159,988
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 4,441,921	$ 149,320	$ 635,906	$ 1,337,423	$ 321,228	6,885,798
Deferred revenue	157,987				118,547	276,534
Due to other funds	542,695	9,836,217	382,919	8,298,565	102,028	19,162,424
Total liabilities	5,142,603	9,985,537	1,018,825	9,635,988	541,803	26,324,756
Fund balances	19,405,206	5,747,262	55,920,568	726,143	22,036,053	103,835,232
Total liabilities and fund balances	$ 24,547,809	$ 15,732,799	$ 56,939,393	$ 10,362,131	$ 22,577,856	$ 130,159,988

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balances - Governmental Funds		$ 103,835,232
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $490,246,101 and the accumulated depreciation is $98,030,323 (Note 4).		392,215,778
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2008 consisted of (Note 5):		
Certificates of Participation	$ 36,052,349	
General Obligation Bonds	157,771,311	
Accreted interest	10,234,545	
Post-employment medical benefits	19,017,225	
Compensated absences	878,414	
		(223,953,844)
Unmatured interest on long-term liabilities is not recorded in the governmental funds until it becomes due, but increases the liabilities in the statement of net assets.		(664,447)
Issuance costs associated with the issuance of long-term liabilities are recognized as expenditures in governmental funds, but are amortized over the life of the related liabilities in the government-wide statements.		693,028
Total net assets - governmental activities		$ 272,125,747

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	General Fund	Capital Facilities Fund	Building Fund	County School Facilities Fund	All Non-Major. Funds	Total Governmental Funds
Revenues:						
Revenue limit sources:						
State apportionment	$ 63,858,182				$ 250,167	$ 64,108,349
Local sources	41,421,937				203,652	41,625,589
Total revenue limit	105,280,119				453,819	105,733,938
Federal sources	9,267,764				2,814,592	12,082,356
Other state sources	21,309,676			$ 12,529,137	3,203,932	37,042,745
Other local sources	12,145,257	$ 4,282,967	$ 2,561,759	258,164	13,894,704	33,142,851
Total revenues	148,002,816	4,282,967	2,561,759	12,787,301	20,367,047	188,001,890
Expenditures:						
Certificated salaries	75,373,065				1,574,553	76,947,618
Classified salaries	25,054,893	521,160	12,204		2,299,967	27,888,224
Employee benefits	24,291,294	178,956	4,951		1,015,728	25,490,929
Books and supplies	7,631,943	28,005	1,218,763	2,121,555	2,145,903	13,146,169
Contract services and operating expenditures	13,389,395	196,867	1,201,379	152,866	380,756	15,321,263
Capital outlay	787,315	1,006,709	16,811,188	28,246,849	1,547,293	48,399,354
Other outgo	1,020,128					1,020,128
Debt service:						
Principal retirement		1,905,344			3,504,656	5,410,000
Interest		1,730,933			3,656,009	5,386,942
Total expenditures	147,548,033	5,567,974	19,248,485	30,521,270	16,124,865	219,010,627
Excess (deficiency) of revenues over (under) expenditures	454,783	(1,285,007)	(16,686,726)	(17,733,969)	4,242,182	(31,008,737)

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS
(Continued)
For the Year Ended June 30, 2008

	General Fund	Capital Facilities Fund	Building Fund	County School Facilities Fund	All Non-Major Funds	Total Governmental Funds
Other financing sources (uses):						
Operating transfers in	$ 751,920	$ 4,114,974	$ 723,428	$ 22,968,847	$ 1,327,644	$ 29,886,813
Operating transfers out	(1,987,644)	(20,331,031)	(2,880,933)	(4,518,950)	(647,314)	(30,365,872)
Proceeds from issuance of long-term liabilities			64,993,835			64,993,835
Total other financing sources (uses)	(1,235,724)	(16,216,057)	62,836,330	18,449,897	680,330	64,514,776
Net change in fund balances	(780,941)	(17,501,064)	46,149,604	715,928	4,922,512	33,506,039
Fund balances, July 1, 2007	20,186,147	23,248,326	9,770,964	10,215	17,113,541	70,329,193
Fund balances, June 30, 2008	$ 19,405,206	$ 5,747,262	$ 55,920,568	$ 726,143	$ 22,036,053	$ 103,835,232

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Net change in fund balances - Total Governmental Funds		$ 33,506,039
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net assets (Note 4).	$ 51,191,450	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(10,916,276)	
Issuance of long-term liabilities is an other financing source in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 5).	(64,993,835)	
Premiums associated with the issuance of liabilities are not financial resources and therefore, are not reported as revenue in the governmental funds.	14,524	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 5).	5,410,000	
Accretion of interest is not recorded in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 5).	(2,476,710)	
Issuance costs associated with the issuance of long-term liabilities are recognized as expenditures in governmental funds, but are amortized over the life of the related liabilities in the government-wide statements.	338,224	
Revenues that were earned but not "available" are not recorded in the governmental funds, but increases receivables in the statement of net assets.	(368,127)	
Unmatured interest on long-term liabilities is not recorded in the governmental funds until it becomes due, but increases the liabilities in the statement of net assets.	(587,595)	
In the statement of activities, expenses related to compensated absences and post-employment medical benefits are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	458,514	(21,929,831)
Change in net assets of governmental activities		$ 11,576,208

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL

MAJOR FUND - GENERAL FUND

For the Year Ended June 30, 2008

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Revenue limit sources:				
State apportionment	$ 62,631,138	$ 63,819,628	$ 63,858,182	$ 38,554
Local sources	41,341,469	41,421,863	41,421,937	74
Total revenue limit	103,972,607	105,241,491	105,280,119	38,628
Federal sources	9,635,308	9,901,514	9,267,764	(633,750)
Other state sources	19,795,615	22,055,396	21,309,676	(745,720)
Other local sources	9,548,405	11,732,246	12,145,257	413,011
Total revenues	142,951,935	148,930,647	148,002,816	(927,831)
Expenditures:				
Certificated salaries	78,360,334	77,545,988	75,373,065	2,172,923
Classified salaries	24,288,646	25,871,119	25,054,893	816,226
Employee benefits	24,250,274	25,681,609	24,291,294	1,390,315
Books and supplies	11,218,424	12,413,784	7,631,943	4,781,841
Contract services and operating expenditures	15,347,835	13,635,663	13,389,395	246,268
Capital outlay	507,962	933,256	787,315	145,941
Other outgo	(294,893)	265,800	1,020,128	(754,328)
Debt service:				
Principal retirement	553,149			
Interest	40,544			
Total expenditures	154,272,275	156,347,219	147,548,033	8,799,186
(Deficiency) excess of revenues (under) over expenditures	(11,320,340)	(7,416,572)	454,783	7,871,355
Other financing sources (uses):				
Operating transfers in	135,198	749,578	751,920	2,342
Operating transfers out	(1,460,000)	(1,657,000)	(1,987,644)	(330,644)
Total other financing sources (uses)	(1,324,802)	(907,422)	(1,235,724)	(328,302)
Net change in fund balance	(12,645,142)	(8,323,994)	(780,941)	7,543,053
Fund balance, July 1, 2007	20,186,147	20,186,147	20,186,147	
Fund balance, June 30, 2008	$ 7,541,005	$ 11,862,153	$ 19,405,206	$ 7,543,053

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND

STUDENT CARE CENTER FUND

June 30, 2008

ASSETS	
Cash in County Treasury (Note 2):	$ 440,749
Accounts receivable	565,128
Due from other funds	851
Prepaid expenditures	2,177
Total assets	1,008,905
LIABILITIES	
Accounts payable	40,640
Due to other funds (Note 3)	22,175
Total liabilities	62,815
NET ASSETS	
Net assets - restricted (Note 6)	$ 946,090

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS - PROPRIETARY FUND

STUDENT CARE CENTER FUND

For the Year Ended June 30, 2008

Operating revenues:	
Children Center fees	$ 2,369,423
Other local revenues	3,152
Total operating revenues	2,372,575
Operating expenses:	
Certificated salaries	49,692
Classified salaries	1,230,669
Employee benefits (Note 7)	391,097
Books and supplies	133,123
Contract services and operating expenses	117,452
Total operating expenses	1,922,033
Operating income	450,542
Non-operating income:	
Interest income	17,617
Non-operating expense:	
Transfers to other funds (Note 3)	(180,941)
Change in net assets	287,218
Net assets, July 1, 2007	658,872
Net assets, June 30, 2008	$ 946,090

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

STUDENT CARE CENTER FUND

For the Year Ended June 30, 2008

Cash flows from operating activities:	
Cash received for children center fees	$ 1,816,191
Cash paid for employee benefits and operating expenses	(1,923,736)
Net cash provided by operating activities	(107,545)
Cash flows used in financing activities:	
Transfer to other funds	(350,126)
Cash flows provided by investing activities:	
Interest income	17,617
Decrease in cash and cash equivalents	(440,054)
Cash and cash equivalents, July 1, 2007	880,803
Cash and cash equivalents, June 30, 2008	$ 440,749
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 450,542
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in:	
Accounts receivable	(556,384)
Prepaid expenditures	640
Decrease in:	
Accounts payable	(2,343)
Total adjustments	(558,087)
Net cash provided by operating activities	$ (107,545)

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

TRUST AND AGENCY FUNDS

June 30, 2008

	Trust Funds		Agency Funds		
	Foundation	Retiree Benefit	Deferred Compensation	Student Body	Total
ASSETS					
Cash and investments (Note 2):					
Cash in County Treasury	$ 130,570	$ 4,602,507			$ 4,733,077
Cash on hand and in banks	51,128			$ 1,042,123	1,093,251
Cash in revolving fund	5,000				5,000
Cash with Fiscal Agent	19,170				19,170
Accounts receivable	255,504	67,287			322,791
Deferred compensation			$ 1,164,686		1,164,686
Due from other funds (Note 3)	644				644
Prepaid expenditures	7,353				7,353
Total assets	469,369	4,669,794	1,164,686	1,042,123	7,345,972
LIABILITIES					
Accounts payable	17,623	10,077			27,700
Deferred compensation			1,164,686		1,164,686
Due to other funds (Note 3)	26,294	27,593			53,887
Due to student groups				1,042,123	1,042,123
Total liabilities	43,917	37,670	1,164,686	1,042,123	2,288,396
NET ASSETS					
Restricted (Note 6)	$ 425,452	$ 4,632,124	$ -	$ -	$ 5,057,576

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FIDUCIARY NET ASSETS

TRUST FUNDS

For the Year Ended June 30, 2008

	Foundation	Retiree Benefit	Total
Revenues:			
Local sources	$ 1,077,532	$ 1,413,293	$ 2,490,825
Expenditures:			
Classified salaries	525,821		525,821
Employee benefits	103,977		103,977
Books and supplies	79,053		79,053
Contract services and operating expenditures	291,486	598,404	889,890
Total expenditures	1,000,337	598,404	1,598,741
Transfers from other funds (Note 3)		660,000	660,000
Change in net assets	77,195	1,474,889	1,552,084
Net assets, July 1, 2007	348,257	3,157,235	3,505,492
Net assets, June 30, 2008	$ 425,452	$ 4,632,124	$ 5,057,576

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Folsom Cordova Unified School District (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 following is a summary of the more significant policies:

Reporting Entity

The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Basis of Presentation - Financial Statements

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

The financial statements include a Management Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a change in the fund financial statements to focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets and the Statement of Revenues, Expenditures and Change in Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.*

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements (Continued)

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting

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

A - Governmental Fund Types

1 - General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

2 - Special Revenue Funds:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Charter School, Adult Education, Child Development, Cafeteria and Deferred Maintenance Funds.

3 - Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This classification includes the Capital Facilities, Building, County School Facilities and Special Reserve for Capital Projects Funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

4 - Debt Service Fund:

The Debt Service Fund is used to account for the accumulation of resources for, and the repayment of, general long-term debt principal, interest, and related costs. This classification includes the Bond Interest and Redemption Fund.

B - Proprietary Fund

1 - Student Care Center

The Student Care Center is an enterprise fund which accounts for child care services that are financed and operated in a manner similar to a private business enterprise with the objective of providing child care services on a continuing basis with costs partially financed or recovered through user charges.

C - Fiduciary Fund Types

1 - Trust Funds:

The Trust Funds are used to account for assets held by the District as trustee. The District maintains two trust funds, the Foundation and Retiree Benefits Funds.

2 - Agency Funds:

Agency Funds are used to account for assets of others for which the District has an agency relationship with the activity of the fund. This classification consists of the Deferred Compensation and the Student Body Funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

A - Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

B - Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting

By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

The District employs budget control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Education to provide for unanticipated revenues and expenditures. The original adopted and final revised budget for the General Fund are presented in the basic financial statements.

Stores Inventory

Stores inventory in the Cafeteria Fund consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools. Maintenance and other supplies held for physical plant repair, transportation supplies, and operating supplies are not included in inventories; rather, these amounts are recorded as expenditures when purchased.

Cafeteria Food Purchases

The Cafeteria Fund reflects supplies expense of $1,909,374. Included in this amount is a handling charge for the delivery of government surplus food commodities. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus food commodities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets purchased or acquired, with an original cost of $15,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

Compensated Absences

Compensated absences totaling $878,414 are recorded as a liability of the District.

Accumulated Sick Leave

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

Deferred Revenue and Program Advances

Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as deferred revenue until earned.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Sacramento bills and collects taxes for the District. Tax revenues are recognized by the District when received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriable for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash, stores inventory and prepaid expenditures reflect the portion of net assets represented by revolving fund cash, stores inventory and prepaid expenditures, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restriction for capital projects represents the amount the District plans to expend for capital projects. The restriction for debt service represents the portion of net assets available for the retirement of debt. The restriction for special revenue represents the amount the District plans to expend for special revenue activities. The restriction for retiree benefits represents the portion of net assets available for retiree benefits. The restriction for student care center represents the portion of net assets available for the student center activities. The restriction for foundation represents the portion of net assets available for foundation activities.

Custodial Relationships

The balance sheet for agency funds represents the assets, liabilities and trust accounts of various student organizations and scholarship funds within the District. As the funds are custodial in nature, no measurement of operating results is involved. The District's deferred compensation investment and liability is also recorded in the Agency Fund.

Deferred Compensation

The District has established a voluntary deferred compensation plan for its employees. The agreements provide for periodic payroll deductions from the participating employees. An amount equal to the reduction in compensation is invested by the District and is available to meet the general obligations of the District. The employee has no preferential right, title or claim to the assets of the Plan, except as a general creditor of the District. The principal portion of the account is invested with a credit union. The investment is recorded in the Agency Fund at cost plus accumulated interest, which approximates market value.

Encumbrances

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2008 consisted of the following:

	Governmental Activities	Business-Type Activities	Fiduciary Activities
Pooled Funds:			
Cash in County Treasury	$ 49,450,367	$ 440,749	$ 4,733,077
Deposits:			
Cash on hand and in banks	5,280		1,093,251
Cash in revolving fund	75,000		5,000
Investments:			
Cash with Fiscal Agent	46,763,316		19,170
Deferred compensation			1,164,686
Total	$ 96,293,963	$ 440,749	$ 7,015,184

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Sacramento County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Sacramento County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2008, the Sacramento County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

2. CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk

Cash balances held in banks and revolving funds are insured up to $100,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2008, the carrying amount of the District's accounts was $1,178,531, and the bank balances were $3,587,238. Differences between bank balances and book balances are due to deposits in transit at June 30, 2008 included in accounts receivable. Of the bank balances, $390,734 was covered by the FDIC insurance and $3,196,504 was uninsured. Uninsured balances are fully collateralized by the banks in accordance with applicable laws.

Investments

Investments at June 30, 2008 consisted of the following:

	Carrying Amount	Fair Value
Cash with Fiscal Agent	$ 46,782,486	$ 46,782,486
Deferred compensation	1,164,686	1,164,686
	$ 47,947,172	$ 47,947,172

Cash with Fiscal Agent represents funds held by Fiscal Agents restricted for repayment of General Obligation Bonds and other long-term liabilities.

Deferred compensation represents the cash balance of the Deferred Compensation Fund held in trust by the District in savings accounts with a credit union, with individual employee accounts insured by the National Credit Union Association.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2008, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2008, the District had no concentration of credit risk.

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2008 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General	$ 194,322	$ 542,695
Capital Facilities	8,269,472	9,836,217
Building	28,109	382,919
County School Facilities	10,299,028	8,298,565
Non-Major Governmental Funds:		
Charter School	17,709	81,832
Adult Education	4,180	2,844
Child Development		10,012
Cafeteria	27,705	7,340
Deferred Maintenance	179,397	
Special Reserve for Capital Projects	217,069	
Proprietary Fund:		
Student Care Center	851	22,175
Trust and Agency Funds:		
Retiree Benefit		27,593
Foundation	644	26,294
Totals	$ 19,238,486	$ 19,238,486

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (Continued)

Interfund transfers for the 2007-2008 fiscal year were as follows:

Transfer from the Student Care Center to the General Fund for direct and indirect support costs.	$ 98,985
Transfer from the Special Reserve for Capital Outlay Fund to the General Fund to transfer expenses.	88,800
Transfer from the County School Facilities Fund to the General Fund for direct and indirect support costs.	5,621
Transfer from the Charter School Fund to the General Fund for direct and indirect support costs.	79,094
Transfer from the Adult Education Fund to the General Fund for direct and indirect support costs.	110,927
Transfer from the Child Development Fund to the General Fund for direct and indirect support costs.	48,389
Transfer from the Cafeteria Fund to the General Fund for direct and indirect support costs.	320,104
Transfer from the General Fund to the Deferred Maintenance Fund for the required State match.	800,000
Transfer from the General Fund to the Special Reserve for Capital Outlay Fund for E-Rate transfer and facilities use revenues.	527,644
Transfer from the General Fund to the Retiree Benefits Fund for retiree benefits surcharge.	660,000
Transfer from the Student Care Center to the Capital Facilities Fund to cover school expenditures.	14,438
Transfer from the Student Care Center to the County School Facilities Fund to cover school expenditures.	67,518
Transfer from the County School Facilities Fund to the Building Fund for indirect costs.	708,793
Transfer from the Capital Facilities Fund to the Building Fund to cover expenditures.	14,635
Transfer from the Capital Facilities Fund to the County School Facilities Fund for construction expenses.	20,316,396
Transfer from the Building Fund to the Capital Facilities Fund to cover expenditures.	296,000
Transfer from the County School Facilities Fund to the Capital Facilities Fund for Mitchel kitchen modernization expenditures.	3,804,536
Transfer from the Building Fund to the County School Facilities Fund for construction expenses.	2,584,933
	$ 30,546,813

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2008 is shown below:

	Balance July 1, 2007	Additions	Deductions and Transfers	Balance June 30, 2008
Land	$ 43,710,589	$ 223,956		$ 43,934,545
Improvement of sites	14,704,098	40,778		14,744,876
Buildings	199,459,499	10,349,821		209,809,320
Equipment	14,701,723	1,055,165		15,756,888
Work-in-process	166,478,742	39,521,730		206,000,472
Totals, at cost	439,054,651	51,191,450		490,246,101
Less accumulated depreciation:				
Improvement of sites	(10,253,243)	(1,650,002)		(11,903,245)
Buildings	(71,284,097)	(8,587,798)		(79,871,895)
Equipment	(5,576,707)	(678,476)		(6,255,183)
Total accumulated depreciation	(87,114,047)	(10,916,276)		(98,030,323)
Governmental activities capital assets, net	$ 351,940,604	$ 40,275,174	$ -	$ 392,215,778

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 10,314,482
Supervision of instruction	13,233
Instructional library, media and technology	3,512
School site administration	96,865
Home-to-school transportation	303,072
Food services	11,831
All other pupil services	25,012
Ancillary services	13,548
All other general administration	34,468
Data processing	24,813
Plant services	75,440
Total depreciation expense	$ 10,916,276

5. LONG-TERM LIABILITIES

Certificates of Participation

In 1991, the District issued $3,815,000 in Certificates of Participation for the Folsom Cordova Unified School District 1991 Financing Project.

In June 1998, the District issued $15,245,000 in Certificates of Participation. Proceeds of $5,229,096 from these Certificates of Participation were paid to an Escrow Agent to advance refund and defease the District's 1991 Certificates of Participation (with remaining obligation of $3,180,000) and various capitalized lease obligations (with remaining balances of $1,761,109). With the payment to the Escrow Agent, the 1991 Certificates of Participation and the capitalized lease obligations are considered to be defeased, and the obligations have been removed from the District's general purpose financial statements. The balance of the proceeds from the 1998 Certificates of Participation are to be used to provide financing for the construction of new school facilities. The 1998 Certificates of Participation mature through 2024, and have interest rates ranging from 4.00% to 5.35%.

The following is a schedule of the future payments for the 1998 Certificates of Participation:

Year Ending June 30,	Payments
2009	$ 3,644,777
2010	3,649,563
2011	3,645,166
2012	3,643,791
2013	3,561,841
2014 - 2018	17,786,512
2019 - 2023	10,990,862
2024 - 2028	95,225
	47,017,737
Less amount representing interest	(10,965,388)
	$ 36,052,349

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds

In April 1998, the District issued current interest and capital appreciation General Obligation Bonds in an aggregate principal amount of $10,396,455, maturing through October 2022, with interest rates from 4.3% to 5.35%. In July 2002, the District issued current interest and capital appreciation General Obligation Bonds, Series A, in an aggregate principal amount of $54,992,172, maturing through July 2027, with interest rates from 3.0% to 5.5%. In December 2004, the District issued current interest and capital appreciation General Obligation Bonds, Series B, in an aggregate principal amount of $46,998,849, maturing through October 2029, with interest rates from 3.5% - 5.5%. In October 2007, the District issued current interest and capital appreciation General Obligation Bonds in an aggregate principal amount of $64,993,835 maturing through October 2032, with interest rates from 4% to 5%. In October 2007, the District issued current interest and capital appreciation General Obligation Bonds in an aggregate principal amount of $39,995,205 maturing through October 2032, with interest rates from 4% to 5%.

The annual payments required to amortize the 1998 General Obligation Bonds outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 675,000	$ 96,317	$ 771,317
2010	720,000	67,293	787,293
2011	770,000	35,612	805,612
2012	430,514	399,486	830,000
2013	413,975	436,025	850,000
2014 - 2018	1,874,114	2,695,886	4,570,000
2019 - 2023	1,597,852	3,577,148	5,175,000
	$ 6,481,455	$ 7,307,767	$ 13,789,222

The annual payments required to amortize the 2002 General Obligation Bonds, Series A, outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 2,010,000	$ 1,234,810	$ 3,244,810
2010	2,150,000	1,164,460	3,314,460
2011	2,310,000	1,089,210	3,399,210
2012	2,465,000	1,002,584	3,467,584
2013	2,640,000	910,148	3,550,148
2014 - 2018	15,933,794	3,078,755	19,012,549
2019 - 2023	8,008,308	13,311,692	21,320,000
2024 - 2028	6,530,070	17,389,930	23,920,000
	$ 42,047,172	$ 39,181,589	$ 81,228,761

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2004 General Obligation Bonds, Series B, outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 1,075,000	$ 1,700,000	$ 2,775,000
2010	1,170,000	1,673,125	2,843,125
2011	1,270,000	1,638,025	2,908,025
2012	1,385,000	1,590,325	2,975,325
2013	1,510,000	1,536,625	3,046,625
2014 - 2018	9,605,000	6,719,563	16,324,563
2019 - 2023	14,195,000	4,121,913	18,316,913
2024 - 2028	9,787,138	10,775,612	20,562,750
2029 - 2030	4,251,711	4,669,039	8,920,750
	$ 44,248,849	$ 34,424,227	$ 78,673,076

The annual payments required to amortize the 2007 General Obligation Bonds, Series A outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009		$ 465,100	$ 465,100
2010	$ 585,000	321,175	906,175
2011	425,000	300,975	725,975
2012	415,000	284,175	699,175
2013	245,000	270,975	515,975
2014 - 2018	5,675,000	1,072,928	6,747,928
2019 - 2023	6,253,016	5,184,365	11,437,381
2024 - 2028	6,571,468	8,425,982	14,997,450
2029 - 2032	4,829,146	8,298,958	13,128,104
	$ 24,998,630	$ 24,624,633	$ 49,623,263

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2006 General Obligation Bonds, Series A, outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 1,785,000	$ 999,282	$ 2,784,282
2010	1,095,000	997,750	2,092,750
2011	570,000	964,450	1,534,450
2012	685,000	939,350	1,624,350
2013	805,000	909,550	1,714,550
2014 - 2018	6,405,000	3,798,175	10,203,175
2019 - 2023	11,970,000	2,446,864	14,416,864
2029 - 2032	8,177,212	10,910,416	19,087,628
2029 - 2032	8,502,993	14,973,915	23,476,908
	$ 39,995,205	$ 36,939,752	$ 76,934,957

Post-Employment Medical Benefits

In addition to the pension benefits described in Note 7, the District provides post-employment medical benefits to District employees who retire from the District during the 1984-85 through 1997-98 fiscal years. Classified employees are eligible after attaining age 50 and will receive benefits through age 60 and certificated employees are eligible after attaining age 55 and will receive benefits through age 65. The District pays up to $425 per month per Classified retiree and $375 per month for Management and Certificated retiree for medical benefits insurance premiums to maintain the level of insurance at the retirement date; retirees are required to pay for any increases in premiums or increases in coverage.

An actuarial study determined the present value of the post-employment medical benefits liability to be $19,017,225. This amount is recorded as a long-term liability on the statement of net assets. Significant actuarial assumptions included in this study are a discount rate of 3.0% and healthcare cost inflation rates ranging from 10% in 2006 to 5.5% in 2011 and after. Funding of this obligation is based on annual appropriations designated by the District's Board of Education.

At June 30, 2008, 154 District retirees are receiving the post-employment medical benefits.

5. LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2008 is shown below:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amounts Due Within One Year
Certificates of Participation	$ 37,962,349		$ 1,910,000	$ 36,052,349	$ 2,230,000
General Obligation Bonds	96,277,476	$ 64,993,835	3,500,000	157,771,311	5,545,000
Accreted interest on General Obligation Bonds	7,757,835	2,476,710		10,234,545	
Post-employment medical benefits	19,506,409		489,184	19,017,225	
Compensated absences	847,744	30,670		878,414	
Totals	$ 162,351,813	$ 67,501,215	$ 5,899,184	$ 223,953,844	$ 7,775,000

Payments on the Certificates of Participation are made from the Capital Facilities Fund, the Child Development Fund, and the Cafeteria Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Post-employment Medical Benefits and compensated absences are made from the Fund for which the related employee worked.

6. RESTRICTED NET ASSETS

Restricted net assets consisted of the following at June 30, 2008:

	Governmental Activities
Restricted for revolving cash	$ 75,000
Restricted for stores inventory	12,731
Restricted for prepaid expenditures	710,328
Restricted for unspent categorical program revenues	8,124,175
Restricted for capital projects	23,517,173
Restricted for debt service	9,176,090
Restricted for special revenues	4,960,716
	$ 46,576,213

	Business-Type Activities
Restricted for student care center	$ 946,090

	Fiduciary Activities
Restricted for foundation	$ 425,452
Restricted for retiree benefits	$ 4,632,124

7. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-2008 was 9.3% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2006, 2007 and 2008 were $1,773,989, $1,724,852 and $2,213,466, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2007-2008 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2006, 2007 and 2008 were $5,259,043, $5,568,738 and $6,357,682, respectively, and equal 100% of the required contributions for each year.

8. JOINT POWERS AGREEMENTS

The District is a member with other school districts in three Joint Powers Authorities, Schools Excess Liability Fund (SELF), Schools Insurance Authority (SIA) (Deductible Fund, only) and School Project for Utility Rate Reduction (SPURR).

The following is a summary of condensed financial information of SELF, SIA, and SPURR as of June 30, 2007 (the most recent information available):

	SELF	SIA	SPURR
Total assets	$ 215,903,000	$ 65,040,619	$ 17,176,169
Total liabilities	$ 185,793,000	$ 37,236,334	$ 14,094,145
Total revenue	$ 47,930,000	$ 44,861,160	$ 44,681,843
Total expenses	$ 45,867,000	$ 21,559,000	$ 44,537,438
Change in net assets	$ 2,063,000	$ 23,302,160	$ 144,405
Net assets	$ 30,110,000	$ 27,804,285	$ 3,082,024

The relationship between Folsom Cordova Unified School District and each Joint Powers Authority is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

9. CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the District's financial position.

10. RESTATEMENT

It was determined that accreted interest on General Obligation Bonds (Note 5) was not recorded in prior years resulting in an understatement of long-term liabilities of $7,757,835. Accordingly, net assets as of July 1, 2007 have been adjusted to account for the long-term liability for accreted interest.

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APPENDIX C

ECONOMY OF THE SCHOOL DISTRICT AND THE COUNTY

The School District encompasses nearly all of the City of Folsom ("Folsom"), a large portion of the City of Rancho Cordova ("Rancho Cordova"), as well as unincorporated areas of the County of Sacramento (the "County"). The following economic data for Folsom, Rancho Cordova and the County are presented for information purposes only. The Bonds are not a debt or obligation of Folsom, Rancho Cordova or the County.

General

The County was incorporated in 1850 as one of the original 27 counties of the State. The County's largest city, the City of Sacramento, is the seat of government for the State of California and also serves as the County Seat. The City of Sacramento was named the State Capital in 1854.

The County encompasses approximately 1,015 square miles near the middle of the 400-mile long Central Valley, California's prime agricultural region. The County is bordered by Contra Costa and San Joaquin counties on the south, Amador and El Dorado counties on the east, Placer and Sutter counties on the north, and Yolo and Solano counties on the west. The County extends from the low delta lands between the Sacramento and San Joaquin rivers east to the foothills of the Sierra Nevada mountains. The southernmost portion of the County has direct access by river to San Francisco Bay.

The County is a long-established center of commerce for the surrounding area. Trade and services, federal, state and local government, and food processing are important economic sectors. Visitors are attracted to the County by the State Capitol and Sutter's Fort, as well as by natural amenities. The County's location at the inter-section of four major highways brings additional visitors destined for the San Francisco Bay Area, Southern California, the Pacific Northwest, and the Sierra Nevada mountains.

Population

Folsom's population as of January 1, 2009 was 71,018 persons. Since 1990, Folsom's population has increased by 138.3%, growing at an average annual compound growth rate of 4.8%. Rancho Cordova was incorporated in 2003. As of January 1, 2009, Rancho Cordova's population was 61,817 persons. Since 1990, the County's population has increased by 39%, growing at an average annual compound rate growth rate of 2.1%.

The following tables show the history of population growth in the City of Folsom, the County of Sacramento between 1990 and 2009, and the City of Rancho Cordova, between 2004-2009.

POPULATION GROWTH, 1990-2009
City of Folsom, City of Rancho Cordova and County of Sacramento

	City of Folsom		County of Sacramento	
Year	Population	Annual % Change	Population	Annual % Change
1990	29,802	--	1,041,219	--
1991	33,100	11.1%	1,063,400	2.1%
1992	35,800	8.2	1,088,400	2.4
1993	37,350	4.3	1,103,800	1.4
1994	38,500	3.1	1,113,800	0.9
1995	38,800	0.8	1,118,600	0.4
1996	40,200	3.6	1,127,700	0.8
1997	41,800	4.0	1,141,900	1.3
1998	43,300	3.6	1,157,400	1.4
1999	46,450	7.3	1,185,100	2.4
2000	51,884	11.7	1,223,499	3.2
2001	56,744	9.4	1,252,690	2.4
2002	59,119	4.2	1,287,577	2.8
2003	62,295	5.4	1,318,012	2.4
2004	64,194	3.1	1,345,646	2.1
2005	66,151	3.1	1,368,333	1.7
2006	67,671	2.3	1,386,185	1.3
2007	68,857	1.8	1,402,728	1.2
2008	70,537	2.4	1,418,763	1.1
2009	71,018	0.7	1,433,187	1.0

Note: For 1991-1999, and 2001-2009, population statistics are as of January 1.
For 1990 and 2000, population statistics are as of April 1.
Source: State Department of Finance for 1991-1999 and 2001-2009; U.S. Department of Commerce, Bureau of the Census, for 1990 and 2000.

	City of Rancho Cordova[1]	
Year	Population	Annual % Change
2004	54,679	--
2005	55,107	0.8%
2006	56,395	2.3
2007	58,871	4.4
2008	60,736	3.2
2009	61,817	1.8

(1) Rancho Cordova was incorporated in July 2003.
Note: For 2004-2009, population statistics are as of January 1, with 2000 DRU Benchmark.
Source: State Department of Finance for 2004-2009.

Employment

Total wage and salary employment in the County increased by 13.6% between 2000 and 2007. Government was the largest employment sector in 2007, accounting for 26.5% of total wage and salary employment. Professional and Business Services and Retail Trade were the next largest sectors in 2007, accounting for 15.3% and 8.6%, respectively, of total wage and salary employment.

The following table summarizes annual average wage and salary employment by industry for 2000 through 2007.

AVERAGE WAGE AND SALARY EMPLOYMENT
Sacramento County
2000-2007

	Employment							
Industry	2000	2001	2002	2003	2004	2005	2006	2007
Farm	3,200	3,300	2,700	2,400	2,600	2,700	2,700	2,900
Natural Resources & Mining	300	300	300	200	200	300	200	200
Construction	32,400	36,100	37,400	40,200	43,600	45,700	43,700	41,800
Manufacturing	31,500	31,500	31,100	29,300	29,700	30,900	25,000	23,900
Wholesale Trade	16,600	17,600	17,100	17,600	17,800	17,700	18,400	17,800
Retail Trade	60,500	60,100	61,000	62,900	64,500	65,400	66,100	64,100
Transportation, Warehousing & Utilities	13,000	11,900	11,200	11,400	11,700	12,200	12,900	13,700
Information	14,500	18,100	18,900	17,400	16,300	15,500	15,300	15,500
Financial Activities	40,500	39,800	40,800	43,300	43,600	45,300	45,900	43,400
Professional & Business Services	76,200	71,500	69,600	67,900	69,600	73,400	82,800	81,500
Educational & Health Services	51,600	54,900	55,400	57,400	60,000	62,800	66,000	68,400
Leisure & Hospitality	44,100	44,700	46,500	47,200	48,200	49,500	52,300	53,300
Other Services	19,100	20,000	21,100	21,100	21,100	20,800	20,400	20,400
Government	154,700	160,500	166,000	161,800	155,500	158,400	163,100	168,400
Total	558,100	570,200	578,800	580,000	584,300	600,600	614,700	615,300

(1) Employment is reported by place of work; it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.

Source: State Employment Development Department, based on March 2008 benchmark.

The following table summarizes civilian labor force, employment, and unemployment in the County from 2000 to 2008. The County's civilian labor force was 13.5% greater in 2008 than in 2000. The employed labor force in the County was 10.1% greater in 2008 than in 2000.

The unemployment rate in the County for 2008 was 7.2%. The average unemployment rate in California for 2008 was 7.2%.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Sacramento County
Annual Averages, 2000-2008

Year	Civilian Labor Force	Employed Labor Force (1)	Unemployed Labor Force (2)	Unemployment Rate (3)
2000	608,500	582,100	26,400	4.3%
2001	624,700	596,400	28,300	4.5
2002	645,500	609,000	36,500	5.7
2003	657,000	618,300	38,700	5.9
2004	661,600	624,400	37,200	5.6
2005	668,000	634,700	33,300	5.0
2006	675,600	643,400	32,200	4.8
2007	682,900	645,800	37,100	5.4
2008	690,400	640,800	49,600	7.2

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
Source: State Employment Development Department, based on March 2008 benchmark.

The following table summarizes civilian labor force, employment, and unemployment in Folsom from 2000 to 2008. Folsom's civilian labor force was 11.5% greater in 2008 than in 2000. The employed labor force in Folsom was 10.1% greater in 2008 than in 2000.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Folsom
Annual Averages, 2000-2008

Year	Civilian Labor Force	Employed Labor Force (1)	Unemployed Labor Force (2)	Unemployment Rate (3)
2000	25,200	24,800	500	1.9%
2001	25,900	25,400	500	2.0
2002	26,600	25,900	700	2.5
2003	27,000	26,300	700	2.6
2004	27,200	26,600	700	2.5
2005	27,600	27,000	600	2.2
2006	27,900	27,400	600	2.1
2007	28,100	27,500	700	2.4
2008	28,100	27,300	900	3.2

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
Source: State Employment Development Department, based on March 2008 benchmark.

The following table summarizes civilian labor force, employment, and unemployment in Rancho Cordova from 2000 to 2008. Rancho Cordova's civilian labor force was 12.5% less in 2008 than in 2000. The employed labor force in Rancho Cordova was 9.1% less in 2008 than in 2000.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Rancho Cordova
Annual Averages, 2000-2008

Year	Civilian Labor Force	Employed Labor Force (1)	Unemployed Labor Force (2)	Unemployment Rate (3)
2000	31,200	28,600	2,600	8.3%
2001	30,700	28,800	1,900	6.3
2002	30,400	28,700	1,700	5.5
2003	30,100	28,300	1,700	5.8
2004	29,800	27,900	1,900	6.5
2005	29,600	27,600	2,000	6.8
2006	29,100	27,200	1,900	6.5
2007	28,100	26,600	1,500	5.2
2008	27,300	26,000	1,400	5.0

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
Source: State Employment Development Department, based on March 2008 benchmark.

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Major Employers

Major private employers in the County include medical services, communications services, electronics, retail sales, food processing, and aerospace. Major public sector employers include the military and the State government. The largest employers in the vicinity of the County in 2008 are shown in the following tables:

SACRAMENTO METROPOLITAN STATISTICAL AREA
Major Employers
2008

Company	Product/Service	Employees
State of California	Government	73,872
Sacramento County	Government	14,513
Kaiser Permanente	Health Care	9,608
Sutter Health Sacramento Sierra Region	Health Care	8,220
University of California Davis/UC Davis Health System	University/Healthcare	7,927
Sutter Health – Sacramento County Region	Health Care	7,140
Sacramento City Unified School District	Education	7,000
Mercy/Catholic Healthcare West	Health Care	6,328
Intel Corporation	Semiconductor Manufacturer	6,300
Wells Fargo & Co.	Financial Services	6,272
Los Rios Community College District	Education	6,000
Elk Grove Unified School District	Education	5,813
AT&T California	Telecommunications	5,389
San Juan Unified School District	Education	4,999
City of Sacramento	Government	4,940
Hewlett Packard	Computer Hardware Manufacturer	3,600
Raley's Inc.	Retail Grocery	3,335
Health Net of California	Healthcare	2,720
PRIDE Industries	Manufacturing and Logistics Services	2,504
California State University Sacramento	Education	2,424
Safeway Inc.	Retail Grocery	2,469
Cache Creek Casino Resort	Entertainment	2,420
United Parcel Service	Shipping	2,383
Pacific Gas and Electric	Utilities	2,274
Sacramento Municipal Utility District	Electrical Utility	1,856
Target Corporation	Retail Stores	1,820
Folsom Cordova Unified School District	Education	1,697
Aerojet	Aerospace and Defense Manufacturing	1,672
EDS	Electronics	1,511

Source: Sacramento Business Journal Book of Lists.

Major employers in Folsom in 2009 are listed in the following table.

LARGEST EMPLOYERS
City of Folsom

Company	Product/Service	Employees
Intel Corporation	Electronics/Manufacturing	6,500
Folsom Cordova Unified School District	Education	1,697
California State Prison - Sacramento	Law Enforcement/Prison	1,450
Verizon	Telecommunications	1,100
Folsom State Prison	Law Enforcement/Prison	975
Worthington Imports	Auto Dealership	680
Peterson's Folsom Lake Enterprises	Auto Dealership	654
California Independent System Operator	Utilities	550
City of Folsom	Government	480
Mercy Hospital of Folsom	Healthcare	450
Video Products Distributors, Inc., (VPD, Inc.)	Video Tapes/DVD's - Wholesale	372
Folsom Lake Community College	Education	350
Wal-Mart Stores, Inc.	Retail Sales	275
The Home Depot	Home Improvement Centers	270
Kaiser Permanente	Healthcare	250

Source: Folsom Chamber of Commerce – 2009.

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Retail Sales

Retail sales activity is an important contributor to the County's economy. Between 2002 and 2007, taxable retail sales in the County increased by 17%. For the same period, total taxable sales in Folsom increased by 22.7%. However, between 2006 and 2007, total taxable sales declined by approximately 2.74%.

TAXABLE SALES
Sacramento County
2002-2007

	Taxable Sales ($000)					
	2002	2003	2004	2005	2006	2007[1]
Apparel Stores Group	$483,204	$515,374	$591,633	$646,188	$652,320	$653,594
General Merchandise Group	2,024,491	2,105,678	2,267,632	2,381,491	2,454,816	2,447,216
Specialty Stores Group	1,841,954	1,928,593	2,045,400	2,186,836	2,236,992	n/a
Food Stores Group	785,010	823,780	850,531	885,721	920,753	920,698
Eating and Drinking Group	1,310,209	1,375,098	1,488,882	1,606,306	1,687,711	1,717,772
Household Group	640,658	668,311	708,595	735,292	653,574	548,536
Building Materials Group	1,186,185	1,348,880	1,630,292	1,666,931	1,511,444	1,290,861
Automotive Group	3,400,423	3,562,066	3,830,827	4,116,420	4,079,709	2,567,020
Service Stations	n/a	n/a	n/a	n/a	n/a	1,563,668
All Other Retail Stores Group	416,843	456,038	527,975	587,227	615,724	2,544,502
Total Retail Stores	$12,088,977	$12,783,818	$13,941,767	$14,812,412	$14,813,043	$14,253,867
Business and Personal Services	873,113	906,662	907,240	888,931	888,878	854,120
All Other Outlets	4,615,469	4,815,986	5,367,915	5,565,157	5,438,465	5,452,523
Total All Outlets	$17,577,559	$18,506,466	$20,216,922	$21,266,500	$21,140,386	$20,560,510

(1) The Board of Equalization changed its coding process in 2007. Data from 2007 is not strictly comparable with data from 2006 or before.
Source: California State Board of Equalization.

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The following table shows a six-year history of taxable sales for Folsom. Taxable sales in 2007 were 22.7% higher than in 2002, but approximately 2.3% lower than in 2006. The largest category of taxable sale in 2007 was the Automotive Group, which accounted for 29% of all taxable sales.

TAXABLE SALES
City of Folsom
2002-2007

	Taxable Sales ($000)					
	2002	2003	2004	2005	2006	2007[1]
Apparel Stores	$63,884	$67,820	$90,033	$94,238	$95,799	$100,125
General Merchandise Stores	118,735	172,768	247,340	267,446	281,609	272,647
Food Stores	44,475	48,540	55,126	55,958	59,398	59,550
Eating and Drinking Places	89,968	94,468	106,467	117,814	129,339	134,127
Household Group	32,445	35,113	34,396	32,476	33,513	33,563
Building Materials Group	117,783	119,710	147,862	140,949	110,933	99,283
Automotive Group	577,373	577,142	586,651	592,884	547,928	464,039
Service Stations	39,852	49,082	55,019	63,955	70,347	74,225
Other Retail Stores	112,589	131,159	204,092	235,679	219,205	195,438
Total Retail Stores	$1,197,104	$1,295,802	$1,526,986	$1,601,399	$1,548,071	$1,432,997
All Other Outlets	132,053	128,410	217,481	123,092	121,396	198,193
Total All Outlets	$1,329,157	$1,424,212	$1,744,467	$1,724,491	$1,669,467	$1,631,190

(1) The Board of Equalization changed its coding process in 2007. Data from 2007 is not strictly comparable with data from 2006 or before.
Source: California State Board of Equalization.

The following table shows a four-year history of taxable sales for Rancho Cordova. Taxable sales in 2007 were 2.3% lower than in 2004. The largest category of taxable sale in 2007 was All Other Outlets, which accounted for approximately 28% of all taxable sales.

TAXABLE SALES
City of Rancho Cordova
2004-2007[1]

	Taxable Sales ($000)			
	2004	2005	2006	2007
Apparel Stores	$7,026	$5,966	$5,506	$5,813
General Merchandise Stores	106,508	109,064	108,418	101,202
Food Stores	33,807	34,348	35,008	37,327
Eating and Drinking Places	67,839	73,469	74,525	74,720
Household Group	52,333	53,381	52,675	45,339
Building Materials Group	n/a	69,516	63,374	56,487
Automotive Group	38,690	40,332	41,906	46,280
Service Stations	58,297	62,351	67,241	71,634
Other Retail Stores	191,923	138,374	103,292	115,155
Total Retail Stores	$556,423	$586,801	$551,945	$553,957
All Other Outlets	312,431	339,302	329,555	306,915
Total All Outlets	$868,854	$926,103	$881,500	$860,872

(1) Rancho Cordova was incorporated in July 2003. Complete taxable sales for 2003 are unavailable.
Source: California State Board of Equalization.

Income

The following table summarizes total personal income and per capita personal income for the County from 1990 to 2007. Total personal income in the County grew by 117.3%, representing an annual compound growth rate of 5.3%. Per capita personal income in the County grew by 83%, representing an annual compound growth rate of 4.1%.

PERSONAL INCOME
1990-2007
(in thousands)

Year	Sacramento County	Annual Percent Change
1990	$21,213,488	--
1991	22,022,128	3.7%
1992	23,079,343	4.9
1993	23,369,283	1.3
1994	24,418,599	4.5
1995	25,791,044	5.6
1996	26,560,408	3.0
1997	28,050,979	5.6
1998	30,179,191	7.6
1999	32,018,953	6.1
2000	35,016,668	9.4
2001	37,225,183	6.3
2002	38,649,539	3.8
2003	40,789,349	5.5
2004	43,742,244	7.2
2005	45,616,720	4.3
2006	48,115,289	5.5
2007	50,157,252	4.2

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PER CAPITA PERSONAL INCOME
1990-2007

Year	Sacramento County	California	United States
1990	$19,718	$21,638	$19,477
1991	19,865	21,750	19,892
1992	20,579	22,492	20,854
1993	20,725	22,635	21,346
1994	21,608	23,203	22,172
1995	22,607	24,161	23,076
1996	22,983	25,312	24,175
1997	23,978	26,490	25,334
1998	25,433	28,374	26,883
1999	26,535	29,828	27,939
2000	28,460	32,458	29,843
2001	29,386	32,859	30,562
2002	29,682	32,769	30,795
2003	30,668	33,469	31,466
2004	32,381	35,380	33,090
2005	33,593	37,418	34,690
2006	35,179	40,020	36,794
2007	36,340	41,805	38,615

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Construction Activity

Annual building permit valuations and the number of permits for new dwelling units from 2002 through 2008 for the County are shown in the following table.

BUILDING PERMIT ACTIVITY
County of Sacramento
2002-2008

	2002	2003	2004	2005	2006	2007	2008
Valuation ($000's omitted)							
Residential	$2,297,490	$2,537,430	$2,569,945	$2,050,137	$1,233,408	$992,619	$704,570
Non-Residential	535,160	657,044	654,406	735,192	748,077	888,309	1,165,508
Total	$2,832,650	$3,194,474	$3,224,351	$2,785,329	$1,981,485	$1,880,928	$1,870,078
Residential Units:							
Single Family	10,401	10,493	10,185	7,839	4,326	3,366	1,922
Multiple Family	2,453	3,340	2,777	1,910	2,339	839	1,231
Total	12,854	13,833	12,962	9,749	6,665	4,205	3,164

Note: Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

Annual building permit valuations and the number of permits for new dwelling units in Folsom, from 2002 through 2008, and in Rancho Cordova, from 2004 through 2008, are shown in the following tables.

BUILDING PERMIT ACTIVITY
City of Folsom
2002-2008

	2002	2003	2004	2005	2006	2007	2008
Valuation ($000's omitted)							
Residential	$160,646	$198,037	$199,693	$163,337	$95,081	$52,973	$40,171
Non-Residential	48,932	61,350	60,733	62,217	57,801	54,925	120,511
Total	$209,578	$259,387	$260,426	$225,554	$152,882	$107,898	$160,682
New Dwelling Units:							
Single Family	616	734	752	539	472	171	117
Multiple Family	172	49	127	231	171	27	15
Total	788	783	879	770	643	198	132

Note: Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

BUILDING PERMIT ACTIVITY
City of Rancho Cordova
2004-2008[(1)]

	2004	2005	2006	2007	2008
Valuation ($000's omitted)					
Residential	$120,071	$381,534	$139,911	$147,142	$69,140
Non-Residential	24,895	29,966	27,303	64,294	70,866
Total	$144,966	$411,500	$167,214	$211,436	$140,006
New Dwelling Units:					
Single Family	485	1,633	511	575	377
Multiple Family	208	28	0	6	0
Total	693	1,661	511	581	377

(1) Rancho Cordova was incorporated in July 2003.
Note: Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

Transportation

The County's location and transportation network have contributed to the County's economic growth. The County is traversed by the main east-west and north-south freeways serving northern and central California. U.S. Interstate Highway 80 connects Sacramento with the San Francisco Bay Area, Reno, Nevada, and points east. U.S. Highway 50 carries traffic from Sacramento to the Lake Tahoe area. U.S. Interstate Highway 5 is the main north-south route through the interior of California; it runs from Mexico to Canada. State Highway 99 parallels U.S. Interstate Highway 5 through central California and passes through Sacramento.

Transcontinental and intrastate rail service is provided by the Union Pacific Railroad. The Sacramento Northern is a short line owned by Union Pacific; it offers rail service to Sacramento Valley markets. Passenger rail service is provided by Amtrak. Bus lines offering intercity as well as local service include Greyhound and Sacramento Regional Transit.

The Port of Sacramento provides direct ocean freight service to all major United States and world ports through its deep-water ship channel. The Port of Sacramento is located 79 nautical miles northeast of San Francisco. The three major rail links serving Sacramento connect with the Port of Sacramento. U.S. Interstate Highway 80 and U.S. Interstate Highway 5 are immediately adjacent to the Port of Sacramento.

Sacramento Metropolitan Airport is about 12 miles northwest of downtown Sacramento. The airport is served by eight major carriers, two regional carriers, and four commuter carriers. Executive Airport, located in Sacramento, is a full-service, 680-acre facility serving general aviation. In addition to Metropolitan Airport and Executive Airport, there are two other County-operated general airports and numerous private airports.

APPENDIX D

FORMS OF OPINIONS OF BOND COUNSEL REGARDING THE IMPROVEMENT DISTRICT NO. 3 BONDS

Upon issuance of the Improvement District No. 3 Series B Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel, proposes to render its final approving opinion with respect to the Improvement District No. 3 Series B Bonds in substantially the following form:

December 3, 2009

Governing Board
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

Members of the Governing Board:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $10,550,225.55 Folsom Cordova Unified School District School Facilities Improvement District No. 3 Election of 2007 General Obligation Bonds, Series B (Tax-Exempt) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Title 1, Division 1, Part 10, Chapters 1 and 2 of the California Education Code, a two-thirds vote of the qualified electors of the School Facilities Improvement District No. 3 ("Improvement District No. 3") of the Folsom Cordova Unified School District (the "School District") voting at an election held on March 27, 2007, a resolution of the Board of Education of the Folsom Cordova Unified School District, (the "School District"), acting as the Governing Board of Improvement District No. 3 (the "Improvement District Resolution") and a resolution of the Board of Supervisors of Sacramento County, California (together with the Improvement District Resolution, the "Resolutions").

2. The Bonds constitute valid and binding general obligations of Improvement District No. 3, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in Improvement District No. 3, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on

individuals and corporations. It should be noted that, with respect to corporations, such interest is not included as an adjustment in the calculation of alternative minimum taxable income.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. For purposes of the previous sentence, the stated redemption price at maturity includes the aggregate sum of all debt service payments on Capital Appreciation Bonds. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the School District and others and are subject to the condition that the School District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The School District has covenanted to comply with all such requirements.

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

Respectfully submitted,

Stradling Yocca Carlson & Rauth

Upon issuance and delivery of the Improvement District No. 3 Series B-1 Bonds, Stradling Yocca Carlson & Rauth, as Bond Counsel, proposes to render its final approving opinion with respect to the Improvement District No. 3 Series B-1 Bonds substantially in the following form:

December 3, 2009

Governing Board
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

Members of the Governing Board:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $8,585,000.00 Folsom Cordova Unified School District School Facilities Improvement District No. 3 Election of 2007 General Obligation Bonds, Series B-1 (Federally Taxable – Build America Bonds) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Title 1, Division 1, Part 10, Chapters 1 and 2 of the California Education Code, a two-thirds vote of the qualified electors of the School Facilities Improvement District No. 3 ("Improvement District No. 3") of the Folsom Cordova Unified School District (the "School District") voting at an election held on March 27, 2007, a resolution of the Board of Education of the Folsom Cordova Unified School District (the "School District"), acting as the Governing Board of Improvement District No. 3 (the "Improvement District Resolution") and a resolution of the Board of Supervisors of Sacramento County, California (together with the Improvement District Resolution, the "Resolutions").

2. The Bonds constitute valid and binding general obligations of Improvement District No. 3, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in Improvement District No. 3, which taxes are unlimited as to rate or amount.

3. The School District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Bonds on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the American Recovery and Reinvestment Act of 2009.

4. Interest on the Bonds is exempt from State of California personal income tax.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

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

Any federal tax advice contained herein (including any attachments) is not intended or written to be used, and it cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code of 1986, as amended, or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX E

FORMS OF OPINIONS OF BOND COUNSEL REGARDING THE IMPROVEMENT DISTRICT NO. 4 BONDS

Upon issuance of the Improvement District No. 4 Series B Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel, proposes to render its final approving opinion with respect to the Improvement District No. 4 Series B Bonds in substantially the following form:

December 3, 2009

Governing Board
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

Members of the Governing Board:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $2,628,625.65 Folsom Cordova Unified School District School Facilities Improvement District No. 4 Election of 2006 General Obligation Bonds, Series B (Tax-Exempt) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Title 1, Division 1, Part 10, Chapters 1.5 and 2 of the California Education Code, a 55% or more vote of the qualified electors of the School Facilities Improvement District No. 4 ("Improvement District No. 4") of the Folsom Cordova Unified School District (the "School District") voting at an election held on November 7, 2006, a resolution of the Board of Education of the Folsom Cordova Unified School District (the "School District"), acting as the Governing Board of Improvement District No. 4 (the "Improvement District Resolution") and a resolution of the Board of Supervisors of Sacramento County, California (together with the Improvement District Resolution, the "Resolutions").

2. The Bonds constitute valid and binding general obligations of Improvement District No. 4, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in Improvement District No. 4, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on

individuals and corporations. It should be noted that, with respect to corporations, such interest is not included as an adjustment in the calculation of alternative minimum taxable income.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. For purposes of the previous sentence, the stated redemption price at maturity includes the aggregate sum of all debt service payments on Capital Appreciation Bonds. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the School District and others and are subject to the condition that the School District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The School District has covenanted to comply with all such requirements.

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

Respectfully submitted,

Stradling Yocca Carlson & Rauth

Upon issuance and delivery of the Improvement District No. 4 Series B-1 Bonds, Stradling Yocca Carlson & Rauth, as Bond Counsel, proposes to render its final approving opinion with respect to the Improvement District No. 4 Series B-1 Bonds substantially in the following form:

December 3, 2009

Governing Board
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

Members of the Governing Board:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $22,375,000.00 Folsom Cordova Unified School District School Facilities Improvement District No. 4 Election of 2006 General Obligation Bonds, Series B-1 (Federally Taxable – Build America Bonds) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Title 1, Division 1, Part 10, Chapters 1.5 and 2 of the California Education Code, a 55% or more vote of the qualified electors of the School Facilities Improvement District No. 4 ("Improvement District No. 4") of the Folsom Cordova Unified School District (the "School District") voting at an election held on November 7, 2006, a resolution of the Board of Education of the Folsom Cordova Unified School District (the "School District"), acting as the Governing Board of Improvement District No. 4 (the "Improvement District Resolution") and a resolution of the Board of Supervisors of Sacramento County, California (together with the Improvement District Resolution, the "Resolutions").

2. The Bonds constitute valid and binding general obligations of Improvement District No. 4, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in Improvement District No. 4, which taxes are unlimited as to rate or amount.

3. The School District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Bonds on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the American Recovery and Reinvestment Act of 2009.

4. Interest on the Bonds is exempt from State of California personal income tax.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

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

Any federal tax advice contained herein (including any attachments) is not intended or written to be used, and it cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code of 1986, as amended, or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE IMPROVEMENT DISTRICT NO. 3 BONDS

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Folsom Cordova Unified School District (the "District") in connection with the issuance of $10,550,225.55 of the Folsom Cordova Unified School District School Facilities Improvement District No. 3 Election of 2007 General Obligation Bonds, Series B and $8,585,000.00 of the Folsom Cordova Unified School District School Facilities Improvement District No. 3 Election of 2007 General Obligation Bonds, Series B-1 (collectively, the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of Education of the District, acting as the Governing Board of the Folsom Cordova Unified School District School Facilities Improvement District No. 3 ("Improvement District No. 3") dated September 17, 2009 (the "District Resolution"), and a Resolution of the County of Sacramento dated September 22, 2009 (the "County Resolution"). The District Resolution and the County Resolution are together referred to as the "Resolution." The District covenants and agrees as follows:

SECTION 1. <u>Purpose of the Disclosure Certificate.</u> This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holders" shall mean registered owners of the Bonds.

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

"Participating Underwriter" shall mean Stone & Youngberg LLC or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than eight months following the end of the District's fiscal year (which shall be March 1 of each year, so long as the District's fiscal year ends on June 30), commencing with the report for the 2008-09 Fiscal Year, provide to the Participating Underwriter and each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repositories to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to each Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repositories of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

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

2. Material financial information and operating data with respect to the District and Improvement District No. 3 of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(a) The District's approved annual budget for the then-current fiscal year;

(b) Assessed value of taxable property in Improvement District No. 3 as shown on the most recent equalized assessment roll;

(c) If the County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the property tax levies, collections and delinquencies for Improvement District No. 3 for the most recently completed fiscal year; and

(d) Top ten property owners in Improvement District No. 3 for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable value and their percentage of total secured assessed value, if material.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies.

2. non-payment related defaults.

3. modifications to rights of Bondholders.

4. optional, contingent or unscheduled bond calls.

5. defeasances.

6. rating changes.

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

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

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

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

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

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with the Repositories or provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(b).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

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

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

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

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

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

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

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repositories. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: December 3, 2009

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

By: ____________________________________

Deborah Bettencourt
Deputy Superintendent/Chief Financial Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: Folsom Cordova Unified School District

Name of Bond Issue: Folsom Cordova Unified School District School Facilities Improvement District No. 3 Election of 2007 General Obligation Bonds, Series B

Folsom Cordova Unified School District School Facilities Improvement District No. 3 Election of 2007 General Obligation Bonds, Series B-1

Date of Issuance: December 3, 2009

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

By ______[form only; no signature required]_________

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE IMPROVEMENT DISTRICT NO. 4 BONDS

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Folsom Cordova Unified School District (the "District") in connection with the issuance of $2,628,625.65 of the Folsom Cordova Unified School District School Facilities Improvement District No. 4 Election of 2006 General Obligation Bonds, Series B and $22,375,000.00 of the Folsom Cordova Unified School District School Facilities Improvement District No. 4 Election of 2006 General Obligation Bonds, Series B-1 (collectively, the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of Education of the District, acting as the Governing Board of the Folsom Cordova Unified School District School Facilities Improvement District No. 4 ("Improvement District No. 4") dated September 17, 2009 (the "District Resolution"), and a Resolution of the County of Sacramento dated September 22, 2009 (the "County Resolution"). The District Resolution and the County Resolution are together referred to as the "Resolution." The District covenants and agrees as follows:

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

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

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

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holders" shall mean registered owners of the Bonds.

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

"Participating Underwriter" shall mean Stone & Youngberg LLC or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than eight months following the end of the District's fiscal year (which shall be March 1 of each year, so long as the District's fiscal year ends on June 30), commencing with the report for the 2009-10 Fiscal Year, provide to the Participating Underwriter and each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repositories to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to each Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repositories of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

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

2. Material financial information and operating data with respect to the District and Improvement District No. 4 of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(a) The District's approved annual budget for the then-current fiscal year;

(b) Assessed value of taxable property in Improvement District No. 4 as shown on the most recent equalized assessment roll;

(c) If the County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the property tax levies, collections and delinquencies for Improvement District No. 4 for the most recently completed fiscal year; and

(d) Top ten property owners in Improvement District No. 4 for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable value and their percentage of total secured assessed value, if material.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies.
2. non-payment related defaults.
3. modifications to rights of Bondholders.
4. optional, contingent or unscheduled bond calls.
5. defeasances.
6. rating changes.
7. adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. unscheduled draws on the debt service reserves reflecting financial difficulties.
9. unscheduled draws on the credit enhancement reflecting financial difficulties.
10. substitution of the credit or liquidity providers or their failure to perform.
11. release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with the Repositories or provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(b).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

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

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

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

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

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

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

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repositories. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: December 3, 2009

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

By: ____

Deborah Bettencourt
Deputy Superintendent/Chief Financial Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: Folsom Cordova Unified School District

Name of Bond Issue: Folsom Cordova Unified School District School Facilities Improvement District No. 4 Election of 2006 General Obligation Bonds, Series B

Folsom Cordova Unified School District School Facilities Improvement District No. 4 Election of 2006 General Obligation Bonds, Series B-1

Date of Issuance: December 3, 2009

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated: _______________________

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

By ______[form only; no signature required]_________

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APPENDIX H

ACCRETED VALUE TABLES FOR IMPROVEMENT DISTRICT NO. 3 BONDS

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IMPROVEMENT DISTRICT NO. 3
CAPITAL APPRECIATION BONDS
TABLE OF ACCRETED VALUES

Date	CABs 10/1/2014 3.550%	CABs 10/1/2016 4.380%	CABs 10/1/2018 5.000%	CABs 10/1/2019 5.350%	CABs 10/1/2020 5.750%	CABs 10/1/2025 6.450%	CABs 10/1/2026 6.520%	CABs 10/1/2027 6.590%	CABs 10/1/2028 6.660%	CABs 10/1/2029 6.730%	CABs 10/1/2030 6.820%	CABs 10/1/2031 6.920%	10/1/2032 6.980%	10/1/2033 8.330%	10/1/2034 12.000%
12/3/2009	$4,218.80	$3,719.55	$3,233.20	$2,975.90	$2,706.40	$1,830.60	$1,698.50	$1,573.85	$1,456.35	$1,345.75	$1,236.95	$1,132.55	$1,044.15	$715.15	$276.90
4/1/2010	4,267.75	3,772.75	3,285.95	3,027.85	2,757.15	1,869.10	1,734.60	1,607.65	1,487.95	1,375.30	1,264.45	1,158.10	1,067.90	734.55	287.70
10/1/2010	4,343.50	3,855.35	3,368.10	3,108.85	2,836.40	1,929.40	1,791.15	1,660.60	1,537.50	1,421.55	1,307.55	1,198.15	1,105.20	765.15	304.95
4/1/2011	4,420.60	3,939.80	3,452.30	3,192.05	2,917.95	1,991.60	1,849.55	1,715.35	1,588.70	1,469.40	1,352.15	1,239.60	1,143.75	797.05	323.25
10/1/2011	4,499.05	4,026.10	3,538.60	3,277.40	3,001.85	2,055.85	1,909.85	1,771.85	1,641.60	1,518.85	1,398.25	1,282.50	1,183.65	830.25	342.65
4/1/2012	4,578.90	4,114.25	3,627.10	3,365.10	3,088.15	2,122.15	1,972.10	1,830.25	1,696.25	1,569.95	1,445.95	1,326.90	1,225.00	864.80	363.25
10/1/2012	4,660.20	4,204.35	3,717.75	3,455.10	3,176.95	2,190.55	2,036.40	1,890.55	1,752.75	1,622.80	1,495.25	1,372.80	1,267.75	900.85	385.00
4/1/2013	4,742.90	4,296.45	3,810.70	3,547.55	3,268.30	2,261.20	2,102.80	1,952.85	1,811.10	1,677.40	1,546.25	1,420.30	1,311.95	938.35	408.10
10/1/2013	4,827.10	4,390.55	3,905.95	3,642.40	3,362.25	2,334.15	2,171.35	2,017.20	1,871.40	1,733.85	1,598.95	1,469.45	1,357.75	977.45	432.60
4/1/2014	4,912.75	4,486.70	4,003.60	3,739.85	3,458.90	2,409.40	2,242.15	2,083.65	1,933.75	1,792.20	1,653.50	1,520.30	1,405.15	1,018.15	458.55
10/1/2014	5,000.00	4,584.95	4,103.70	3,839.90	3,558.35	2,487.15	2,315.25	2,152.30	1,998.15	1,852.50	1,709.85	1,572.90	1,454.20	1,060.55	486.10
4/1/2015	--	4,685.35	4,206.30	3,942.60	3,660.65	2,567.35	2,390.70	2,223.20	2,064.65	1,914.85	1,768.15	1,627.30	1,504.95	1,104.70	515.25
10/1/2015	--	4,787.95	4,311.45	4,048.10	3,765.90	2,650.15	2,468.65	2,296.50	2,133.45	1,979.30	1,828.45	1,683.60	1,557.45	1,150.75	546.15
4/1/2016	--	4,892.80	4,419.25	4,156.35	3,874.15	2,735.60	2,549.15	2,372.15	2,204.45	2,045.90	1,890.80	1,741.90	1,611.80	1,198.65	578.95
10/1/2016	--	5,000.00	4,529.75	4,267.55	3,985.55	2,823.85	2,632.25	2,450.30	2,277.90	2,114.70	1,955.30	1,802.15	1,668.05	1,248.60	613.70
4/1/2017	--	--	4,642.95	4,381.70	4,100.15	2,914.90	2,718.05	2,531.05	2,353.75	2,185.90	2,022.00	1,864.50	1,726.30	1,300.60	650.50
10/1/2017	--	--	4,759.05	4,498.90	4,218.00	3,008.90	2,806.65	2,614.45	2,432.10	2,259.45	2,090.95	1,929.00	1,786.55	1,354.75	689.55
4/1/2018	--	--	4,878.00	4,619.25	4,339.30	3,105.95	2,898.15	2,700.60	2,513.10	2,335.45	2,162.25	1,995.75	1,848.90	1,411.20	730.90
10/1/2018	--	--	5,000.00	4,742.85	4,464.05	3,206.10	2,992.65	2,789.60	2,596.80	2,414.05	2,235.95	2,064.80	1,913.40	1,469.95	774.75
4/1/2019	--	--	--	4,869.70	4,592.40	3,309.50	3,090.20	2,881.50	2,683.25	2,495.30	2,312.20	2,136.25	1,980.20	1,531.20	821.25
10/1/2019	--	--	--	5,000.00	4,724.40	3,416.25	3,190.95	2,976.45	2,772.60	2,579.25	2,391.05	2,210.15	2,049.30	1,594.95	870.55
4/1/2020	--	--	--	--	4,860.25	3,526.40	3,294.95	3,074.50	2,864.95	2,666.05	2,472.60	2,286.65	2,120.85	1,661.40	922.75
10/1/2020	--	--	--	--	5,000.00	3,640.15	3,402.35	3,175.80	2,960.35	2,755.75	2,556.90	2,365.75	2,194.85	1,730.60	978.15
4/1/2021	--	--	--	--	--	3,757.55	3,513.30	3,280.45	3,058.95	2,848.50	2,644.10	2,447.60	2,271.45	1,802.70	1,036.80
10/1/2021	--	--	--	--	--	3,878.70	3,627.80	3,388.55	3,160.80	2,944.35	2,734.25	2,532.30	2,350.70	1,877.75	1,099.05
4/1/2022	--	--	--	--	--	4,003.80	3,746.10	3,500.20	3,266.05	3,043.45	2,827.50	2,619.90	2,432.75	1,955.95	1,164.95
10/1/2022	--	--	--	--	--	4,132.95	3,868.20	3,615.55	3,374.80	3,145.85	2,923.90	2,710.60	2,517.65	2,037.45	1,234.85
4/1/2023	--	--	--	--	--	4,266.20	3,994.30	3,734.70	3,487.20	3,251.70	3,023.65	2,804.35	2,605.55	2,122.30	1,308.95
10/1/2023	--	--	--	--	--	4,403.80	4,124.55	3,857.75	3,603.30	3,361.15	3,126.75	2,901.40	2,696.45	2,210.70	1,387.50
4/1/2024	--	--	--	--	--	4,545.85	4,259.00	3,984.85	3,723.30	3,474.25	3,233.35	3,001.80	2,790.55	2,302.75	1,470.75
10/1/2024	--	--	--	--	--	4,692.45	4,397.85	4,116.15	3,847.30	3,591.15	3,343.60	3,105.65	2,887.95	2,398.70	1,559.00
4/1/2025	--	--	--	--	--	4,843.75	4,541.20	4,251.80	3,975.40	3,712.00	3,457.65	3,213.10	2,988.75	2,498.60	1,652.55
10/1/2025	--	--	--	--	--	5,000.00	4,689.25	4,391.90	4,107.80	3,836.90	3,575.55	3,324.30	3,093.05	2,602.65	1,751.70
4/1/2026	--	--	--	--	--	--	4,842.10	4,536.60	4,244.60	3,966.00	3,697.45	3,439.30	3,201.00	2,711.05	1,856.80
10/1/2026	--	--	--	--	--	--	5,000.00	4,686.05	4,385.95	4,099.45	3,823.55	3,558.30	3,312.75	2,823.95	1,968.20
4/1/2027	--	--	--	--	--	--	--	4,840.50	4,532.00	4,237.40	3,953.95	3,681.40	3,428.35	2,941.60	2,086.30
10/1/2027	--	--	--	--	--	--	--	5,000.00	4,682.90	4,380.00	4,088.75	3,808.80	3,548.00	3,064.10	2,211.50
4/1/2028	--	--	--	--	--	--	--	--	4,838.85	4,527.40	4,228.20	3,940.60	3,671.80	3,191.75	2,344.15
10/1/2028	--	--	--	--	--	--	--	--	5,000.00	4,679.75	4,372.35	4,076.90	3,799.95	3,324.65	2,484.80
4/1/2029	--	--	--	--	--	--	--	--	--	4,837.20	4,521.45	4,218.00	3,932.60	3,463.15	2,633.90
10/1/2029	--	--	--	--	--	--	--	--	--	5,000.00	4,675.65	4,363.95	4,069.85	3,607.40	2,791.95
4/1/2030	--	--	--	--	--	--	--	--	--	--	4,835.10	4,514.90	4,211.90	3,757.65	2,959.45
10/1/2030	--	--	--	--	--	--	--	--	--	--	5,000.00	4,671.15	4,358.85	3,914.15	3,137.05
4/1/2031	--	--	--	--	--	--	--	--	--	--	--	4,832.75	4,511.00	4,077.15	3,325.25
10/1/2031	--	--	--	--	--	--	--	--	--	--	--	5,000.00	4,668.45	4,247.00	3,524.80
4/1/2032	--	--	--	--	--	--	--	--	--	--	--	--	4,831.35	4,423.85	3,736.25
10/1/2032	--	--	--	--	--	--	--	--	--	--	--	--	5,000.00	4,608.10	3,960.45
4/1/2033	--	--	--	--	--	--	--	--	--	--	--	--	--	4,800.05	4,198.05
10/1/2033	--	--	--	--	--	--	--	--	--	--	--	--	--	5,000.00	4,449.95
4/1/2034	--	--	--	--	--	--	--	--	--	--	--	--	--	--	4,716.95
10/1/2034	--	--	--	--	--	--	--	--	--	--	--	--	--	--	5,000.00

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APPENDIX I

ACCRETED VALUE TABLES FOR IMPROVEMENT DISTRICT NO. 4 BONDS

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IMPROVEMENT DISTRICT NO. 4
CAPITAL APPRECIATION BONDS
TABLE OF ACCRETED VALUES

Date	CABs 10/1/2033 10.000%	CABs 10/1/2034 12.000%
12/3/2009	$488.85	$276.90
4/1/2010	504.70	287.70
10/1/2010	529.95	304.95
4/1/2011	556.45	323.25
10/1/2011	584.30	342.65
4/1/2012	613.50	363.25
10/1/2012	644.15	385.00
4/1/2013	676.40	408.10
10/1/2013	710.20	432.60
4/1/2014	745.70	458.55
10/1/2014	783.00	486.10
4/1/2015	822.15	515.25
10/1/2015	863.25	546.15
4/1/2016	906.45	578.95
10/1/2016	951.75	613.70
4/1/2017	999.35	650.50
10/1/2017	1,049.30	689.55
4/1/2018	1,101.75	730.90
10/1/2018	1,156.85	774.75
4/1/2019	1,214.70	821.25
10/1/2019	1,275.45	870.55
4/1/2020	1,339.20	922.75
10/1/2020	1,406.20	978.15
4/1/2021	1,476.50	1,036.80
10/1/2021	1,550.30	1,099.05
4/1/2022	1,627.85	1,164.95
10/1/2022	1,709.20	1,234.85
4/1/2023	1,794.70	1,308.95
10/1/2023	1,884.40	1,387.50
4/1/2024	1,978.65	1,470.75
10/1/2024	2,077.60	1,559.00
4/1/2025	2,181.45	1,652.55
10/1/2025	2,290.55	1,751.70
4/1/2026	2,405.05	1,856.80
10/1/2026	2,525.30	1,968.20
4/1/2027	2,651.60	2,086.30
10/1/2027	2,784.15	2,211.50
4/1/2028	2,923.35	2,344.15
10/1/2028	3,069.55	2,484.80
4/1/2029	3,223.00	2,633.90
10/1/2029	3,384.15	2,791.95
4/1/2030	3,553.40	2,959.45
10/1/2030	3,731.05	3,137.05
4/1/2031	3,917.60	3,325.25
10/1/2031	4,113.50	3,524.80
4/1/2032	4,319.15	3,736.25
10/1/2032	4,535.10	3,960.45
4/1/2033	4,761.90	4,198.05
10/1/2033	5,000.00	4,449.95
4/1/2034	--	4,716.95
10/1/2034	--	5,000.00

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APPENDIX J

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the Improvement Districts believe to be reliable, but the Improvement Districts take no responsibility for the completeness or accuracy thereof. The Improvement Districts cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal, or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

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

DTC, the world's largest securities 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 issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

Discontinuation of the Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry-only system is discontinued, payments of principal and accreted value of and interest on the Bonds shall be payable as described herein.

The principal and Maturity Value of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Bond Registrar. Interest on the Bonds will be paid by the Bond Registrar by check or draft mailed to the person whose name appears on the registration books of the Bond Registrar as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal amount, payments shall be wired to a bank and account number on file with the Bond Registrar as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity and authorized denominations upon presentation and surrender at the principal office of the Bond Registrar, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Bond Registrar. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Bond Registrar together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Bond Registrar. Upon exchange or transfer, the Bond Registrar will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the registered owner equal in the aggregate to the unmatured principal or denominational amount of the Bond surrendered.

Neither the School District, the County nor the Bond Registrar will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

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APPENDIX K

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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ASSURED GUARANTY CORP.

Financial Guaranty Insurance Policy

Issuer: | **Policy No.:**

Obligations: | **Premium:**

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**AGC**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

AGC will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which AGC shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by AGC is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and AGC shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in AGC. Upon and to the extent of such disbursement, AGC shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by AGC to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of AGC under this Policy to the extent of such payment.

This Policy is non-cancelable by AGC for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of AGC, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or AGC are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless AGC in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to AGC may be mailed by registered mail or personally delivered or telecopied to it at 31 West 52nd Street, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department – Public Finance Surveillance, with a copy to the General Counsel at the same address and at generalcounsel@assuredguaranty.com or at the following Facsimile Number: (212) 445-8705, or to such other address as shall be specified by AGC to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by AGC on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, AGC may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to AGC pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to AGC. All payments required to be made by AGC under this Policy may be made directly by AGC or by the Fiscal Agent on behalf of AGC. The Fiscal Agent is the agent of AGC only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of AGC to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGC hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to AGC to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and AGC expressly reserves, AGC's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by AGC of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of AGC with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, AGC has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon AGC by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:____________________________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

____
Counsel